Published in: Wil Hout and Richard Robison (eds), *Governance and the Depoliticisation of Development*, Routledge/GARNET Series: Europe in the World, London: Routledge, 2009, ISBN 978-0-415-46567-0

Development and the Politics of Governance: Framework for Analysis

Wil Hout and Richard Robison

Paper presented at the 4th GARNET Annual Conference, Rome, 11-13 November 2009

1.1 Introduction

It is no exaggeration to say that, within the mainstream of development thinking, the idea of creating markets through policy reform has increasingly been subsumed within the task of containing the risks of markets through 'good governance'.[1] Such a focus on governance has also spread into the world of private and public investors and corporate financial institutions where the difficulties presented by protective trade and investment regimes are increasingly replaced with a concern for the risks posed by arbitrary authority, lack of clear regulatory frameworks and corruption.

However, the emergence of governance as an idea and a policy agenda represents continuity in approaches to development. Although various scholars have pointed out the inherently political nature of development (e.g., Leftwich 2000: 5-6), most agencies and practitioners have pursued development through essentially technical means that are claimed to depoliticise the process of social and economic change. Early ideas, at the time mainly directed at Eastern and South-Eastern Europe, stressed the need to fill 'gaps' in capital and technology by engaging in a 'big push' (Rosenstein-Rodan 1943). Later, modernisation theories stressed the 'institutional gap' that was the result of increased social mobilisation and participation (Sangmpam 2007: 208). On the side of policy-making, planning was introduced in Keynesian agendas as an essentially technocratic and apolitical instrument for bringing about industrialisation, seen as the essential element of development. Later phases of development, in particular during the high days of the Washington Consensus in the 1980s and early 1990s, stressed the creation of markets and policy reform in developing countries with the aim of making markets work properly. The 1990s saw the introduction of ideas that emphasise the regulatory nature of state authority, emphasising forms of governance that shape and protect the operation of markets.

Not surprisingly, these latter shifts that specifically link markets and governance have produced an avalanche of analysis and debate related to the problems of building effective governance and the perceived obstacles that confront governance reforms. Much of this literature has emerged from the research departments of the World Bank and other development agencies, focusing on the technical aspects of designing and sequencing governance programmes as a means of insulating or co-opting the perceived challenges of vested interests to the collective goods that are brought by efficient markets.

A contending strand of thinking about the significance of governance in the development process explains the new governance programmes in the context of wider conflicts over power and the way it is distributed.[2] This volume is set within the parameters of this second approach. It seeks to develop its ideas through structured studies of the ideological and political conflicts that accompany the construction of policy agendas for governance reforms and their resolution and implementation on the ground. It is constructed around the view that the new emphasis on institutions and governance in development policy is not a distinct shift from the idea that markets are inherently efficient means of driving growth embodied in the Washington Consensus (Stiglitz 1998). Rather it is a retreat from the idea of the self regulating market and recognition that markets require political and institutional intervention to ensure their ascendancy.

1.2 The Context: Governance and Its Evolution as a Policy Instrument

The idea of governance began to establish its influence in policy debates during the period of market reform and social change that swept the US and Britain in the 1980s. The core idea of neo-liberal orthodoxy – summarised by Weiss as, ‘anything the government can do, the private sector can do better; and that more open markets, free trade and capital flows are necessarily beneficial’ (Weiss 2000: 802) – was, to a large extent, an ideological response to the interventionism and welfare statism of the period of ‘embedded liberalism’ (Ruggie 1982). The compromise of embedded liberalism produced a regime that was based on multilateral regulation of international economic relations, while offering scope for Keynesian economic policies and the building of welfare states at the national level.

We argue that it is possible to distinguish various, successive phases in the evolution of the idea of governance.[3] The first phase, clearly reflected in early World Bank reports on governance (e.g., World Bank 1991a), expressed a narrow view of governance that emphasised technocratic measures to improve government effectiveness and provide a legal framework for market-based development. The second phase led to a broader concern with the organisation of political and social life, and stressed participation and inclusion of society. The World Bank's Comprehensive Development Framework, worked out in the first few years of James Wolfensohn's Presidency, the Poverty Reduction Strategy approach, and the call for a post-Washington Consensus (Stiglitz 1998) were all markers of the second phase. The third phase of thinking on governance, that seems to be emerging now, is characterised by an increasing awareness of the importance of power, politics and social conflict in shaping development outcomes and the difficulties of addressing these through existing institutional and governance programmes. Although the introduction of more political understandings of governance is seen by some as a rescue operation for the centrality of governance to development, we argue that the persistent need to depoliticise development leads to increased tensions within the paradigm, and may actually result in the discarding of the notion of governance altogether.

As part of the neo-liberal 'revolution', the idea of governance was focused initially on corporate reform and management as companies adapted to competition in a rapidly globalising global economy and to the growing ascendancy of finance capital and notions of shareholder value in their operations (O. Williamson 1987). At another level, governance was widely seen as a new form of authority that reflected the dispersal of power in social and economic life, regarded in some quarters as a liberating escape from the traditional monopoly of authority by the state and the translation of decision-making to communities and local arenas (see, Kooijman 2000). Nevertheless, the idea of governance was, at its heart, always connected to the dramatic changes of the periods of Thatcher and Reagan that reorganised society and the state around the principles and values of markets. Governance, in this respect, was a form of authority that insulated markets from collective social demands (rent-seeking distributional coalitions) and which enshrined its principles in legal and constitutional entities (Gill 1995). It is in the context of this latter process, we argue, that governance has entered the development debate and become a central concern of policy-makers. It was introduced as a mechanism to deal with the problems of market failure and to ensure that institutional reforms are able effectively to be applied to the tasks of making markets work.

As neo-liberal ideas asserted their ascendancy in development thinking in the early 1980s it was generally assumed that the advance of the market would be enough in itself to end problems of economic inefficiency, corruption and arbitrary rule in developing countries (see Toye 1987: 47-70). To the extent that effective institutions and 'good governance' were seen as being essential to the successful implant of markets, it was assumed these would emerge seamlessly as rational individuals dealt in an instrumentally rational manner with new collective problems of transaction costs and information asymmetries that accompanied markets (O. Williamson 1987; North 1994). In the meantime, it was thought few institutional prerequisites would be needed beyond some basic property rights in the initial stages of market transformation. This view was an important justification for strategies of 'shock therapy' in Russia and Eastern Europe (Rapaczynski 1996; Sachs 1992).

Increasingly, though, there was a retreat within the neo-liberal camp from the belief in the self-regulating capacities of markets and the frictionless creation of market institutions. As the ideas of rational choice (public choice) political economists became more influential amongst policy-makers it was recognised that it was entirely rational for coalitions to organise collectively for the purposes of making predatory raids on the state rather than to establish the collective goods that make markets work (Bates 1981; Olson 1982; Buchanan and Tullock 1962).[4] As early as the 1980s, in the so-called Berg Report and in its later 1989 report on the growing crisis of development in sub-Saharan Africa, advocates within the World Bank began to argue that structured programmes of institutional change were required to solve the scourge of corruption and pervasive clientelism (World Bank 1981; 1989a: 5). Yet, where the liberal idea of the benign state had been replaced with the idea of a state that is necessarily predatory and whose politicians and officials deal in the currency of rents and privileges it became difficult to explain who would drive the reform process. As Gamble (2006) has stated it, neo-liberals had arrived at a point where neither state nor society could be trusted. It seemed that there was nowhere to go.

It was in this context that neo-liberal policy-makers began to turn to the idea that reform must be provided by enlightened technocrats operating above the demands of politics to protect the general welfare of society against the self-serving behaviour of vested interests (J. Williamson 1994; cf. Grindle 1991). Without becoming directly involved in the turmoil of politics and social conflict, it was envisaged technocrats could neutralise distributional coalitions by altering the institutional incentives that shaped the choices and behaviour of individuals.[5] Yet, despite the flow of hundreds of millions of dollars into programmes of institutional reform, conflicts over issues of efficiency, corruption, rule of law, arbitrary authority and opaque regulation of markets have continued to proliferate and deepen. Newly engineered institutions, it seemed, may indeed change behaviour but not always in the way favoured by the ideologues within the neo-liberal camp. Something was needed to ensure that policy and institutions worked; that something was 'good governance'.

At its heart, neo-liberals understand 'good governance' in terms of providing efficient public and private management for markets. As the World Bank has stated it, '[t]he ability of the state to provide institutions that make markets more efficient is sometimes referred to as good governance' (World Bank 2002a: 99). Thus, 'good governance' ensures efficiency in public administration, rule of law and regulation of corporate life, including competition laws and anti-corruption watchdogs, arms-length procurement processes and the outsourcing of public services and supply. But the idea of governance has spilled over into wider agendas for regulation and authority at the political and social level. It offers a solution to perhaps the key political dilemma of neo-liberals. As economist Hal Hill (2000) observed in his analysis of Indonesia after the Asian financial crisis, 'One of the big challenges of the coming years will be to find a way of separating the economic and commercial world from the political world'.

The idea of 'good governance' meets this objective in two ways. Conceived by neo-liberals as a form of authority outside politics and the traditional realm of administration, it is a means to claim autonomy for technocratic authority from what are seen as distributional coalitions. It also enables individuals to be drawn directly into the market process through programmes of inclusion, participation and ownership that bypass competitive politics and established political organisations (Jayasuriya 2005; Bebbington et al. 2004).

Nevertheless, governance programmes have experienced profound difficulties. So despairing have major aid donors become, especially in relation to Africa and other poor countries, that development policies have seemingly abandoned the task of constructing governance reforms in favour of requiring already existing levels of 'good governance' as a pre-requisite for aid (see Hout, this volume). Why then, have attempts to impose forms of neo-liberal 'good governance' met with such resistance or indifference? After all, who would not want honest government and efficient administration?

As we have mentioned, these frustrations have been generally understood within the main development organisations as the result of inadequacies in the sequencing, design or implementation of institutional reforms and governance mechanisms. This is not to say that market reformers are not aware of deep-seated political and social problems affecting the successful transplant of institutions. However, there is an ongoing belief that these are problems that can generally be attributed to weak institutions and bad governance. At the same time, it is assumed that, once established, efficient institutions and 'good governance' not only provide public goods necessary for the efficient operation of markets but can eliminate opportunities for rent-seeking and predatory behaviour by governments and individuals, changing incentives for behaviour. In other words, institutions and 'good governance' are seen, 'to possess both the explanatory power to account for socio-economic outcomes and … the prescriptive power that makes them solutions for socio-political problems' (Sangmpan 2007: 201).

There are indications that a new stage of thinking about governance is in the offing. There is increasing debate within some development organisations, seeming to recognise that political factors are not only more important than previously thought but that problems of politics and power are not so easily addressed through the simple mechanics of institutional engineering and programmes of 'good governance' (see, Hout, Robison, this volume). That attempts to come to grips with these issues, particularly as they are discussed in development agencies in UK, Netherlands and Australia, have not proceeded beyond the discussion stage and into the policy arena perhaps reflects what is the central contradiction and dilemma in the neo-liberal approach. The tension between institutional engineering by technocratic means and direct engagement with political and social causes of 'bad governance' makes it unlikely that this prospective, third stage in the evolution of the idea of governance will take root.

1.3 The Broad Themes of the Study

In contrast to the predominant neo-liberal understanding of (good) governance, the focus of research is switched, in this book, from the idea of governance as a technocratic construction to one that is concerned with understanding the conflicts over power and wealth that underpin the establishment of authority within market societies. The sorts of research questions that emerge are quite different from the concerns about institutional design and the measurement of governance that occupy policy-makers and researchers in the World Bank and many national development agencies. While neo-liberal reformers claim that governance represents a de-politicisation of decision-making, in that it shifts decision-making about markets from distributional coalitions into the hands of technocrats, the studies in this volume assert that the process of depoliticisation is an attempt to insulate from political competition a highly political and normative agenda for the reordering of social and political power. Similarly, it is questioned whether problems of poverty and violence, corruption and repression are the products of weak institutions and bad governance rather than the results of power disparities and the way resources are organised and distributed. Policies of institutional change and 'good governance' are often means of avoiding the often politically contentious issues of power in society, especially where these are connected to allies of market reformers.

At the same time, claims about the transformative capacities of institutions and governance are questioned. It may be true that imposing new institutions and forms of governance will force powerful interests to behave in different ways but these are not always those favoured by market reformers. It may simply mean that the same old interests have to rule in different ways. Indeed, it is proposed that we need to be mindful of the ways in which entrenched elites may hijack new forms of governance and institutions in order to reorganise their own power.

1.4 The Book

Part 1: From 'Development as Markets' to 'Development as Governance'

The two chapters that constitute this part of the book address the problem of governance in its political context and ask how the ideas and designs for governance and institutional reform are established by the major international development organisations and within the financial ministries of Western governments?

In chapter 2, Richard Robison proposes that conflicts over governance are not simply contests between the advocates of markets and those opposing them but involve forces that are themselves created by the advance of markets and are fought out within the very alliances forged to clear the way politically for market reforms. The chapter looks at the way various regimes and political coalitions are able to consolidate their authority by selectively adopting neo-liberal market reforms and how various forms of populist, authoritarian and even predatory rule can be used to establish critical neo-liberal reforms and to suit the needs of private interests associated with the neo-liberal agenda.

Wil Hout, in chapter 3, analyses these processes at the policy level, in terms of the shift in the international development agenda away from the 'market fundamentalism' of the 1980s and early 1990s. He focuses on the ways governance issues are tackled in the development policies of multilateral institutions and national governments, and analyses three cases (the World Bank, the United Kingdom and the Netherlands). He argues that the implementation of development policies premised on governance has been skewed towards formal and technocratic, a-political understandings of social and economic development. Nevertheless, it is proposed various development agencies have become sensitive to the political and political-economic dynamics involved in governance reform. It is argued that the different, and irreconcilable, logics of reform that underpin technical approaches aimed at bringing about more effective and efficient government are not easily reconciled with attempts to address social, political and economic fundamentals required for transforming governance.

Part 2: Behind the Scenes at the Global Level: Global Public Goods or the Globalisation of Interests

The chapters in this part address the way problems of development have been addressed at the level of global governance, initially to deal with issues of monetary instability, international debt and trade. As is the case at the national level, the formation and reform of governance institutions have been the subject of intense political and ideological conflict, increasingly complex in nature as these increasingly extend beyond narrow economic concerns into areas such as health, resource management and environmental regulation as well as human rights, criminality and terrorism. Notably, recent debates have centred around the extent to which development might be linked to trade liberalisation and deepening of the trade agenda (related to intellectual property rights, services and similar issues), and on the way rising and marginal economies are represented in global forums. These debates have opened questions about whether global governance simply provides global public goods or has consolidated specific the economic and political hegemony of certain countries. Moreover, the proliferation and 'privatisation' of global governance institutions has similarly led to questions about the adequacy of the traditional states-dominated paradigm revolving around notions of sovereign equality.

In chapter 4, Richard Higgott explores the notions of global governance guiding contemporary debates on globalisation and, in particular, trade liberalisation. He focuses on the definition of global governance espoused by the global policy community, in particular in and around the World Trade Organisation (WTO). Higgott notes that global governance policy-making, in these circles, is driven largely by formal economic theory, and focuses on the logic of global public goods provision. This, it is argued, is often at the expense of a view of global governance that emphasises accountability and legitimation of decision-making and precludes economic policy based on perceived developmental needs rather than economic rationality. It is a dichotomy that Higgott argues may lead ultimately lead to a crisis in global cooperation.

Diane Stone, in contrast, focuses on the sort of policy networks and organisations emerging at the heart of the global governance project. In chapter 5 she distinguishes among various forms of transnational policy communities (including advocacy coalitions and executive networks) and argues that because public policy making tends to become increasingly dominated by networks of decision makers and more involuted processes, a ‘privatisation’ of global governance is making it more difficult for developing countries to participate in the policy process.

At a more specific level, in chapter 6, Karim Knio focuses on policy making in the European Union with regard to its Arab Mediterranean ‘neighbourhood’. Focusing on the European Mediterranean Partnership, he argues that the economic reforms proposed by the EU in the arena of fiscal and monetary policies have encountered difficulties because they do not match the socio-economic realities found in the region. Specifically, the surging labour surplus that is a product of the region’s demographics demands a premium on employment creation while the priorities of the EU continue to be deregulation in the services sector.

Part 3: Transplanting and Defining the Governance Model at the Ground Level

The two chapters in this part of the book focus on the conflicts that have accompanied attempts by market reformers to establish governance regimes. One question is whether the opponents of neo-liberal governance programmes simply represent the self-interested behaviour of rent-seeking groups or are constituted within highly functional existing modes of authority that serve working systems of social and political power. How do entrenched interests consolidate their different ideas of governance in a market environment and how are these related to the preservation of different forms of power?

In chapter 7, Jos Mooij examines the complex processes by which the defining governance model in India has shifted from one defined by planning to one defined by markets where government becomes a facilitator and partner of the provate sector and concerned with the allocation of contracts and resources. While the transition was ushered in by a limited technocratic circle of administrators and politicians, the acceptance of reforms, argues Mooij, was made possible by important shifts in class structure. These included the rise of a new class of investors, notably in the technology and information sector and the rise of a mass middle class. These saw themselves as beneficiaries, or potential beneficiaries, of reforms. Nevertheless, Mooij shows how market reforms and new forms of governance have enabled old style patronage politics to survive and politicians to concentrate their power, especially at the local level. A case study of Andhra Pradesh illustrates the politics of anti-politics..

Controlling unconstrained assaults on environmental resources is one of the primary focuses of governance programmes and Paul Gellert investigates in chapter 8 some of the inherent difficulties in this highly sensitive area by looking at attempts to develop models of governance for a forestry sector emerging from over three decades of discretionary allocation of rights within a highly centralised and state-driven system of patronage in Indonesia. He examines four different models of governance emerging respectively from the World Bank, Indonesian NGOs, the Indonesian timber industry and, global and regional interests in Indonesia. The degree to which these are successfully implanted, Gellert argues, is highly contingent upon the contending interests mobilised behind them and the way in which these are able politically to advance or resist governance agendas that support their interests.

Part 4: Governance and the Perils of Participation

As discussed earlier, governance is not only aimed at insulating technocratic decision-making from perceived vested interests but increasingly addressed to the problem of drawing individuals and society into programmes for market reform and into the political and institutional arrangements established to consolidate and protect these reforms. Often seen as a task of providing social capital where societies do not possess the cohesion and capacity to organise on behalf of markets, new models of governance emphasise a new form of participation based on a functional idea of citizenship and social contracts within a techno-managerial authority.

In chapter 9, Pascale Hatcher examines the recent interest of the World Bank in parliaments within the context of the Poverty Reduction Strategy (PRS). She examines how the World Bank has sought directly to involve civil society through empowerment, participation and other mechanisms of governance. But, she asks, does this mean a bypassing of representative politics and parliaments in favour of direct and managerial relations between technocratic policy-makers and civil society? It is a question addressed by looking at the World Bank's new interest in parliaments and investigating its ambiguous perception of them as vehicles for distributional coalitions, on the one hand and, on the other, as bodies that legitimately represent social interests. Hatcher asks, is parliament drawn into the PRS process as a minor technocratic player emptied of its political content?

Toby Carroll explores the seeming contradictions in Country Assistance Strategies in chapter 10, oscilating between an attraction for highly technocratic modes of decision-making and authority and the new commitment to participation, inclusion and empowerment of civil society. In a study of CAS in the Philippines, Carroll asks whether the commitment to participation and inclusion of NGOs in policy dialogues really influences the policy outcomes or simply acts as a mechanism to co-opt and functionally include key civil society groups within a larger agenda of market reform.

In contrast to the approaches of Hatcher and Carroll, Kees Biekart asks whether civil society can be mobilised to impose models of 'good governance' devised by international development agencies. In chapter 11 he focuses on the question of whether attempts to induce participation from below can be truly democratic or whether such approaches simply create a technocratic NGO elite. These questions are posed in the context of case studies of the Guatemala experience in building governance programmes for the resolution of human rights violations, the resolution of ongoing problems of domestic and criminal violence and in the context of the wider poverty reduction strategies.

Part 5: Governance in Post-Crisis Situations

In recent years, governance reform has been a central tool in efforts by the World Bank and other donors to enable countries ravaged by social conflict, violence and breakdown of the state to reconstitute themselves. Governance reforms are focused on problems of capacity and efficiency in public administration and management and the facilitation of market based economic reforms. In many cases, these reforms have been attempted by means of top-down programmes presided over by the main donor agencies. However, difficulties in mobilising support or enthusiasm for the changes has led to a reconsideration of the way reforms might be incorporated more closely into the needs and objectives of broader social and political groups. We now find donors and critics alike debating whether reform can be targeted to different societies and whether more effective methods of engagement through participation and coalition-building might be achieved.

In chapter 12, Andrew Rosser focuses on the dynamics of involvement of international organisations in the reconstruction of governance institutions in Timor Leste. The chapter analyses the involvement of various international actors, most notably the World Bank and Australia, in the setting up of various institutions after the war that resulted in the independence of Timor Leste from Indonesia. He identifies the difficulties of transplanting these institutions and specifically looks at the problem of mobilising support for reforms from critical social and political interests. Rosser proposes that more attention must be given to the tasks of building cohesive coalitions as necessary ingredients in the embedding reforms.

Nisrine El Ghaziri discusses programmes for administrative reform in Lebanon after the devastating civil war that left the country economically and politically exhausted and its mechanisms of government in disarray. In particular, chapter 13 focuses on the involvement of international organisations such as the United Nations Development Programme (UNDP) and the World Bank in the design and management of reform in public sector management. Here, reformers confronted the task of changing a civil service defined by entrenched Ottoman and French legacies of authoritarianism, hierarchy and patronage to one where competition, efficiency, client service and outsourcing were the catch-cries of the new, market-oriented managerialism. El Ghazari shows how the Office for Administrative reform encountered ongoing resistance and resentment and how this led to the reform of the Office itself and a retreat from some of the objectives of the new managerial programme. These adjustments are used to illustrate the highly political nature of the reform process.

Conclusion

In a brief conclusion, the editors ask where the governance agenda is going now. On the one hand, it is asked whether the concern for 'good governance' is being overtaken by a resurgence of concern for stability and for political alliances in efforts to consolidate and protect geo-political and economic hegemony in a shifting global environment. At another level we ask whether the problems of enforcing governance reform has led to a new consideration of the political and social pre-conditions for reform and a retreat from assumptions that governance programmes themselves can reshape choices and values in society.

Notes

[1] A more detailed exposition of the definitions of governance and ´good governance´ is provided in Hout (this volume). Basically, as Weiss (2000) has pointed out, there is no agreement in the worlds of academia and policy-making literature on the exact meaning of the concept of governance. It is easier to state what governance is *not* than what it is. It is clear to most commentators that governance is not synonymous with government, politics or public administration. Elements that recur in many definitions of governance are the interaction between the public and the private sphere, including civil society, and the setting of rules for the public sphere, either within national contexts or internationally (Weiss 2000: 800). In relation to policy issues with a more international dimension, the term 'global governance' has started to gain currency, although conceptual differences have not been solved (Weiss 2000: 806-10). 'Good governance', which has a clear normative overtone, has become an integral part of the development discourse primarily as a result of the World Bank use of the term.

[2] Examples of these include Fine (2001) and Harriss (2001).

[3] We would like to thank Andrew Rosser for his contribution on the phasing of the thinking on governance.

[4] It should be noted that the idea that institutions would emerge organically as rational individuals addressed problems of transactions costs was supplemented by a recognition within the new institutional economics that collective action dilemmas may have to be addressed externally and from within the state and that these solutions might not produce efficient outcomes because they would necessarily reflect specific interests (see, North, 1995)

[5] The view of institutions as both an explanation for political and social problems and a solution for them is a central theme in World Bank writing on institutions. See also Bates (2006) and Levi (2006).