e-ISSN: 1694-4887

Available online on https://revistainvestigacion.info/index.php/rdi

Revista de Investigacion 2023; 1 (1); 6-13

Original Research Article

Is 'Good Governance' a Necessary Prerequisite for Development? a Critical Review of the Good Governance Discourse

Imrana A. Bubalio

Centre of African Studies, University of Edinburgh, UK

Received: 25-10-2022 / Revised: 25-11-2022 / Accepted: 15-11-2022 Publish: 10-01-2023

Corresponding author: Imrana A. Bubalio

Conflict of interest: Nil

Abstract:

This article reviews key arguments for the role of 'good governance' in stimulating economic development. In some cases, neoliberal “good governance” has served to spur economic development, but in many other cases countries have achieved levels of economic development that lack many elements of “good governance” in their governance institutions. Thus, we conclude that “good governance” is not a necessary prerequisite for development, but can play a role in facilitating it. This document rejects the dominant ‘one size fits all’ approach to good governance in favor of ‘good enough governance’ that questions and prioritizes reform and makes it fit the individual country context.

Keywords: good governance, economic development, third world, SAPs

Introduction

The issue of good governance has been in the ascendant in the field of development economics since the mid-1990s, making it ‘conventional wisdom’ in development discourse (Gray and Khan, 2010:2). In recent years, there has been an increasing interest in the role of good governance in creating economic development. The argument that good governance is an essential pre-requisite for development is associated with the neo-liberal economists, who attributed underdevelopment and the failure of the Structural Adjustment Programs (SAPs) in poor countries to bad governance and institutional weakness (Earle and Scott, 2010:8). Thus, good governance and institutional reforms simply became post-Washington Consensus (Mkandawire, 2007:681). Statists and heterodox institutional economists agree that governance is vital for economic development but disagree with the neoliberal “market-enhancing” good governance model (Khan, 2007:1). Undeniably, there are some examples in which good governance played a role in facilitating economic development but there are many examples in which countries attained some level of economic development with governance institutions that were bereft of many ‘good governance’ elements. This paper will argue that good governance is not an essential pre-requisite for development but it might play some role in facilitating development. The paper will argue against the dominant ‘one-size-fits-all’ approach to good governance and support what Grindle (2011:s200) called “good enough governance”, that encourage reforms to be questioned, prioritised, and made relevant to the conditions of individual countries.

A considerable amount of literature has been published on good governance. But the concept ‘good governance’ is a very difficult one to pin down to a straight-jacket definition essentially because the concept has been used in many different contexts (Grindle, 2011:s200). The term ‘governance’ refers to the theory or activity of governing (Collin, 2004:106), simply, “how political and administrative decisions get made, how governmental systems work, and how states relate to societies” (Grindle, 2017:17). Meanwhile, ‘good governance’ refers to a bundle of admirable characteristics, showing how government ought to be carried out (Grindle, 2010:2). Khan (2007:2) observes that “the good governance argument that is frequently referred to in the governance literature and in policy discussions essentially identifies the importance of governance capacities that are necessary for ensuring the efficiency of markets”. The main aim is to ensure efficient markets by enforcing property rights, a rule of law, transparency and accountability in decision making processes. This ‘market-enhancing’ good governance approach to development supports the institutions-do-matter thesis, which argues that the main source of economic growth is the institutional structure of a political economy. Thus, “Third World countries are poor because the institutional constraints define a set of payoffs to political/economic activity that does not encourage productive activity’’ (North (1990:110), cited in Przeworski, 2004:165).

Before discussing whether good governance is an essential pre-requisite for development or not, it is crucial to define ‘development’. Although discourse on development is one of the major preoccupations of economists, the definition of “development” itself has always been a contentious issue. This can be found in historical conjectures and it can be understood in relation to “intellectual trends, shifts in the global economic structures, political exigencies, and institutional dynamics” (Cooper and Packard, 1996:29). Chang (2013:131) defines development as “transformation in productive structure (and the development of social and technological capabilities that are both the causes and the consequences of such transformation)”. Chang’s definition aims to strike a balance by reviving the ‘productionist’ concern of the old development economics, while acknowledging the issues of human development, gender, politics, technological development, institutions and the environment, which become part of development discourse in recent years (Chang, 2013:131). The most popular measure of development is the United Nations Development Programme’s (UNDP) human development index (HDI) and its variations, which also incorporates non-income dimensions of human welfare, such as education, health and gender equality. Some studies have shown that good governance is necessary for development (Knack and Keefer (1995), Platteau (2008), Acemoglu and Robinson (2012), but others have shown that there is no relationship between good governance and development (Mkandawire (2007), Andrews (2008), Chang (2011), and Cantens (2012). This paper will argue that good governance is not an essential pre-requisite for development but it might play some role in facilitating development. Structurally, apart from this introduction, the paper will be divided into four parts. The first part will discuss the argument that good governance is an essential pre-requisite for development. The second part will discuss the argument that ‘market-enhancing’ good governance is not an essential pre-requisite for development. The third part will cover my position that good governance is not an essential pre-requisite for development but it might play some role in facilitating development, and the fourth part will conclude the paper.

Good governance as an essential pre-requisite for development

There is a growing body of literature on the relationship between good governance and economic development. This renewed focus on development began in the mid-1990s, and is associated with the neo-liberal economists that attributed underdevelopment and the failure of the Structural Adjustment Programs (SAPs) in poor countries to bad governance and institutional weakness, "resulting in the unleashing of unproductive rent-seeking activities and the crowding out of productive market" (Mkandawire, 2007:681). Olson (1993) compares economies under dictatorships and democracies and argues that countries that attained the highest level of economic development across the world have a "secure democracy that protects citizens property and contract rights" (Olson, 1993:572). The empirical backing for this argument usually comes from cross-sectional data of governance indicators in developing countries, which shows that, in general, countries with good governance performed better (Khan, 2007:1). Relying on data for up to ninety-seven countries for the period of 1974-89, Knack and Keefer (1995) find that the "quality of institutions, operationalized as the security of property rights and the level of contract enforcement, is crucial to growth and investment" (Knack and Keefer (1995), cited in Dellepiane-Avellaneda,2010:196).

The key focus here is to promote 'market enhancing' inclusive institutions that secure: private property, an unbiased system of law and a provision of adequate public services that guarantee a level playing field in which people can exchange and enter contracts (Acemoglu and Robinson, 2012:74). The aim of these institutions is to reduce transaction costs so as to allow economic activities to flourish (Platteau, 2008:444). In this context, there is a broad consensus among growth economists, development experts and aid donors, who see good governance to be a condition necessary for development to take place (Dellepiane-Avellaneda, 2010:196). Consequently, the World Bank, UNDP, and DFID become the main proponents of the relationship between good governance and development (Grindle, 2011:s207).

However, despite the role of these development institutions in championing reforms that are expected to lead to good governance and providing examples of successful reforms, this neo-liberal 'market-enhancing' good governance agenda does not define clear sequences of actions. The proponents seem to have forgotten to differentiate activities that are simple to implement from those that are more difficult, those that can be achieved in the short term from those that are required in the long-term. This raises questions about the scope, sequencing and pace of the reform efforts required to kick-start and sustain development. Another unsatisfactory aspect of the mainstream good governance argument is its failure to provide clear strategies on how to navigate challenges that surround efforts to change current conditions. Thus, this neo-liberal 'market-enhancing' good governance has been challenged on the grounds of "conceptual causality/endogeneity problems, missing-variable considerations, measurement modelling and specification limitations" (Dellepiane-Avellaneda, 2010:196). And to this, we will now turn.

Good governance is not an essential pre-requisite for development

The statists (advocates of a political system in which the state has substantial centralized control over social and economic affairs) argue that the proponents of good governance wrongly see the relationship between good governance and development as consistent across time and location. Some of these economists base their arguments on the challenges associated with creating the prescribed good governance institutions in developing countries. Mkandawire (2007:681) argues that good governance reforms effectively compromised the authority of elected bodies through the insolation of policy technocrats and the creation of “autonomous authorities”. Similarly, Cantens (2012:24) observes that a bureaucratic institution may persist through the informal practices of authority that animate it. It is, therefore, “difficult for its elite to implement a reform without weakening the authority they need to make change happen”. Rhetorically, Cantens asks, “how do civil servants and private operators accept and apply new measures that would stir up what they do?" (Cantens, 2012:24). Another area of disagreement concerns the relative importance of governance reforms in accelerating development in countries at low levels of development. Chang (2011) observes that the institutional reform along the neo-liberal line may not facilitate development in developing countries:

> “Economic growth has fallen rather dramatically in developing countries of Sub-Saharan Africa and Latin America, which have, under enormous external pressures, rather faithfully reformed their institutions in the neo-liberal direction during the last three decades. They were growing much faster in the 1960s and the 1970s, when they lacked those liberalized institutions” (Chang, 2011:483).

Therefore, to Chang, the differences in performance between developing and developed countries are not explained by the differences in their quality of governance (measured according to the criteria of good governance). Andrews (2008) equates good governance to “a set of well-meaning but problematic proverbs”, and argues that elements of the good governance model do not replicate well between governments, “often creating governance problems rather than solutions” (Andrews, 2008:397). To him, prescribing good governance model for poor countries foists an ill-suited model of governance that ‘kicks away the ladder’ that today’s developed countries climbed to reach their current states” (Andrews, 2008:380). He argues that “using examples of success to show what success is can be like telling developing countries that the way to develop is to become developed” (Andrews, 2008:383). Rodrick (2004:2) also parts company with the conventional good governance argument. He observes that mainstream good governance analysis pointed us in the right direction, but that it is difficult, if not impossible, to be translated into meaningful policy actions. Thus, he concludes that “many of the policy implications drawn from this literature are at best irrelevant and at worst misleading” (Rodrick, 2004:2). Chang (2000) examines the development of different institutions in the history of now advanced countries. He concludes that many factors, currently considered preconditions for development, are actually consequences of it. Indeed, he explains that “considerable economic development occurred long before countries had fully institutionalized democracies, professional bureaucracies, rules for corporate governance, modern financial institutions, and extensive social welfare services” (Chang, (2000), cited in Grindle, 2004:531). Sachs and others (2004) conclude that a focus on governance reforms in Africa is misguided. Thus, they recommend big push based on aid-supported investment in infrastructure and health sector (Sachs et al (2004), cited in Khan, 2007:1). To these economists, good governance does not matter that much for economic development. Indeed, good governance can be an obstacle to development, because “when financial and human resources are redeployed from existing uses in order to run the new institutions, social welfare will suffer if those resources used to be devoted to more necessary things" (Chang, 2011:487).

While I have reservations with most of the neo-liberal good governance argument, I believe downgrading governance capacities is also misguided. Some Statists conclusion that good governance can be an obstacle to development seems unfounded. Their frustrations with the inefficiencies of the neo-liberal good governance reforms could have been better expressed by recommending a different model of governance. In the next part, I will argue that good governance is not an essential pre-requisite for development but it might play some role in facilitating development. However, I will argue against the dominant 'one-size-fits-all' approach to good governance and will support what Grindle (2011:s200) called "good enough governance", which encourages reforms relevant to the conditions of individual countries.

'Good governance' is not an essential pre-requisite for development, but merely desirable.

Heterodox institutional economists agree that governance is important but point out the limitations of the mainstream good governance model that focuses almost exclusively on market-enhancing governance. They also believe that good governance is not an essential pre-requisite for development, but that it might play some role in facilitating development. Based on case studies of rapid economic growth in the last fifty years, they argue that development that was associated with governance institutions is quite distinct from the one-best-way model recommended in the dominant good governance literature (Khan, 2007:1). Booth (2011) observes that "several supposedly universal remedies for governance weaknesses are not fit for their purpose unless radically adapted to the actual conditions of the countries in which they are applied" (Booth, 2011:s19). Governance institutions that facilitate development vary from country to country (Khan, 2007:1). The lesson here is that developing countries should be more serious in studying the possibilities and limits of governance reforms. Some countries have attained some level of economic development despite having governance institutions that demonstrate significant levels of ineffectiveness, lack of transparency and accountability, poor human rights records, and many other bad governance attributes.

Thus, development does not require implementation of the one-size-fits-all model of good governance. Different versions of the good governance model have played some role in developing countries like Tanzania, Mauritius, and Rwanda. However, "East Asian tigers represented another model that looked very different—and was effective in its context" (Andrews, 2008:393). These countries succeeded "despite the fact that several of them began with institutions considered at the time to be a highly unpropitious basis for modern economic growth" (Booth, 2011:s9). This raises questions regarding the scope and pace of the reform effort needed to facilitate development. Grindle (2004) suggests a three-level assessment, "asking the questions: What is there to build on? What is the degree of complexity and difficulty of the proposed intervention, given the context? And is there likely to be room for manoeuvre in the process of change?" (Grindle (2004), cited in Booth, 2011:s20). This means compelling reasons can be pursued to prove how important good governance is to the development process. But it requires constant experimentation, willingness to question mainstream theories, and attention to the uniqueness of local context. This is because the governance institutions that are needed in the poorest countries may differ from those that proved successful in advanced countries. Thus, Grindle (2011) argues that what poor countries need is not good governance, but "good enough governance", that allows for the "minimal conditions of governance" necessary to allow development to occur (Grindle, 2011:s200).

From this perspective, it is better to assess capacities and feasibility more carefully, target fewer changes and work towards creating "good enough rather than ideal conditions of governance" (Grindle, 2004:545). 'Good enough governance' suggests that reforms thought to facilitate development need to be questioned, prioritised, and made relevant to the conditions of individual countries and the things that can be done (Grindle, 2011:s200). Grindle's argument calls for a more nuanced political and economic analysis, reducing the orthodox good governance agenda by reformulating the objective of reform activities, to assess how specific situations, and the uniqueness of political economies that surround them, shape the options available for introducing and sustaining reform initiatives in developing countries. Whittling down the good governance agenda to more manageable proportions provides insight into reforms that are essential and those that are less so, thereby providing alternative routes to development (Grindle, 2004:531). Thus, 'good governance' is not an essential pre-requisite for development, but merely desirable.

Conclusion

Since the mid-1990s, there has been an increasing interest in the role of good governance in creating economic development. However, despite the centrality of the good governance agenda within the international development agencies, evidence for the impact of good governance on development is mixed. Neo-liberal economists attributed underdevelopment and the failure of the Structural Adjustment Programs (SAPs) in poor countries to bad governance and institutional weakness and thus, argue that good governance is an essential pre-requisite for development. Good governance and institutional reforms thus simply became post-Washington Consensus. From this perspective, the quality of economic institutions (especially secure property rights and effective contract enforcement) matters for development because it enables economic activities to thrive. Statist and heterodox institutional economists agree that governance matters, but not in the way that orthodox, conventional 'good governance' policy interpretations imagine. Some of them argue that good governance is important, but poor countries do not have the required resources to implement all the required reforms. Others argue that the orthodox good governance agenda "ignores issues of timing, sequences, trajectories, interdependencies, and contradictions and difficult trade-offs in real-world policy decisions and institutional design" (Grindle, 2017:18). Indeed, to some core statist economists, the mainstream 'good governance' agenda does not matter that much for economic development. To them, it can be an obstacle to development, because "when financial and human resources are redeployed from existing uses in order to run the new institutions, social welfare will suffer if those resources used to be devoted to more necessary things" (Chang, 2011: 487).

While I do not agree with most of the neo-liberal good governance argument, I believe downgrading governance capacities is also misguided. Good governance is not an essential pre-requisite for development but it might play some role in facilitating development. However, development does not require implementation of the one-size-fits-all model of good governance. Different versions of the good governance model have played some role in developing countries. Thus, instead of implicitly rejecting the good governance agenda, countries should be more serious in studying the possibilities and limits of governance reforms. There are alternative governance requirements that aim to focus on vital areas. That is why Grindle (2011) argues that what poor countries need is not good governance but “good enough governance”, that allows for the “minimal conditions of governance necessary to allow political and economic development to occur” (Grindle, 2011: s200). Similarly, Khan (2011) calls for the “growth-promoting approach” which focuses on a limited range of things that can be done (Khan, 2011:20). Their arguments aim to reduce the good governance agenda to relevant areas. This more nuanced approach challenges the idea that conventional ‘good governance’ is a precondition for development. From this perspective, developing countries need to examine how specific contexts, and the nature of the political economies that surround them, shape the options available for introducing and sustaining governance reforms. On the basis of this analysis, ‘good governance’ is desirable, but it is not essential or necessary for development.

References

1. ACEMOGLU, D JOHNSON, S AND ROBINSON, J. (2012) *Why Nations Fail? The Origins of Power, Prosperity and Poverty*. New York: Crown Publishers.
2. ANDREWS, M. (2008) The Good Governance Agenda: Beyond Indicators without Theory. *Oxford Development Studies*, Vol: 36: No:4, 379-407.
3. BOOTH, D. (2011) Aid, Institutions and Governance: What Have We Learned? *Development Policy Review*, 29 (s1):s5-s26.
4. CANTENS, T. (2012) Is it Possible to Reform a Customs Administration? The Role of the Customs Elite on the Reform Process in Cameroon. In AMSEDEM, A.H et al, *The Role of Elites in Economic Development.* University Press Scholarship Online.
5. CHANG, H. (2000) *Institutional Development in Developing Countries in a Historical Perspective: Lessons from Developed Countries in Earlier Times*. Unpublished paper, University of Cambridge.
6. CHANG, H. (2011) Institutions and Economic Development: Theory, Policy and History**.** *Journal of Institutional Economics*, 7:4, pp. 473–498.
7. CHANG, H. J. (2013) Hamlet without the Prince of Denmark: How Development Has Disappeared from Today’s “Development”’ in HELD, D. AND ROGER, C. (2013*) Global Governance at Risk.* pp.129-148.
8. COLLIN, P. H. (2004) *Dictionary of Politics and Government*. 3rd Edition. London: Bloomsbury Publishing Plc.
9. COOPER, F. & PACKARD, R. (1996) *International Development and the Social Sciences: Essays on the History and Politics of Knowledge.* University of California Press, Ltd.
10. DELLEPIANE-AVELLANEDA, S. (2010) Good Governance, Institutions and Economic Development: Beyond the Conventional Wisdom. *British Journal of Political Science*, Vol. 40, No. 1 (January 2010), pp. 195-224.
11. EARLE, L. AND SCOTT, Z. (2010) Assessing the Evidence of the Impact of Governance on Development Outcomes and Poverty Reduction. *Issues Paper. GSDRC Emerging Issues Research Service.*
12. GRAY, H. S. AND KHAN, M.H. (2010) Good Governance and Growth in Africa: What can we learn from Tanzania? in PADAYACHEE, V. (ed.) *The Political Economy of Africa*. London: Routledge, 2010.
13. GRINDLE, M. S (2004) Good Enough Governance: Poverty Reduction and Reform in Developing Countries. *Governance: An International Journal of Policy, Administration, and Institutions*, Vol. 17, No. 4, October

2004 (pp. 525–548).
14. GRINDLE, M. S. (2010) Good Governance: The Inflation of an Idea. *HKS Faculty Research Working Paper Series,* RWP10-023, John F. Kennedy School of Government, Harvard University.
15. GRINDLE, M. S. (2011) Good Enough Governance Revisited. *Development Policy Review*, 2011, 29 (s1):s199-s221.
16. GRINDLE, M. S (2017) Good Governance, R.I.P.: A Critique and an Alternative. *Governance: An International Journal of Policy, Administration, and Institutions*, Vol. 30, No. 1, January 2017 (pp. 17–22).
17. KHAN, M. H. (2007) Governance, Economic Growth and Development since the 1960s. *DESA Working Paper*. No. 54.
18. KHAN, M. H. (2011) Governance and Growth Challenges for Africa in NOMAN, A; BOTCHWEY, K; STEIN, H; AND STIGLITZ, J. E (eds) Good Growth and Governance in Africa: Rethinking Development Strategies. Oxford University Press.
25.
19. KNACK, S AND KEEFER, P. (1995) Institutions and Economic Perform Tests Using Alternative Institutional Measures. *Economics and Politics* 7 (1995), 207-27.
20. MKANDAWIRE, T. (2007) ‘Good governance’: The Itinerary of an Idea. *Development in Practice,* 17: 4-5, pp. 679-68.
21. NORTH, D. C. (1990) *Institutions, Institutional Change and Economic Performance* (Cambridge, Cambridge University Press).
22. OLSON, M. (1993) Dictatorship, Democracy and Development. *American Political Science Review*. Vol. 87, No. 3 September 1993.
23. PLATTEAU, J. P. (2008) The causes of institutional inefficiency: A development perspective in BROUSSEAU, E AND GLACHANT, J-M (eds) *New Institutional Economics : A Guidebook.*
24. PRZEWORSKI, A. (2004) The Last Instance: Are Institutions the Primary Cause of Economic Development? *European Journal of Sociology* 45:2, 165-188.