Is Good Governance a Pre-requisite for Africa’s Development?

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regardless of how convincing the measurement may appear logically or conceptually. In other words, an indicator should measure the hypothesized abstract concept (e.g., ‘good governance’ is ‘good-for-economic-development’), or only deal with corruption. The problem with broad definitions is that if good governance or ‘QoG’ is everything, then maybe it is nothing.’ (Rothstein and Teorell 2008:168). They also argue that the literature fails to distinguish between issues that concern access to power and those related to the exercise of power.

The functionalist definitions raise two problems. First, many important non-economic attributes of good governance, such as trust and subjective measures of well-being, are left out. Second, one cannot define a country’s ‘quality of government’ level without first measuring its effects. It also does not distinguish between the content of specific policy programs on the one hand and governing procedures or processes on the other. Thus, the functionalist approach borders on dogmatism. As The Economist (June 4, 2005) noted, defining ‘good governance’ as ‘good-for-economic-development’ may generate tautological explanations and meaningless policy prescriptions.

Andrews (2008) argues that the WGI indices are ‘not very useful. While considerable attention has been paid to the exercise of authority through formal and informal institutions in the management of the resource endowments of a state. The quality of governance is thus determined by the exercise of power on the quality of life enjoyed by its citizens.’ However, this seemingly different definition of ‘quality of governance’ also suffers from tautology: ‘What is required for the quality of life enjoyed by citizens? Quality of governance. What is quality of governance? That which promotes the quality of life…’ (Rothstein and Teorell 2008:169).

The definition of governance or quality of government is crucial for understanding all aspects of the exercise of authority. Newman lists the effects of corruption, or its absence, assumes that government policy discretion and interventions necessarily lead to corruption and abuse. However, according to Rothstein and Teorell (2008), there is still no evidence for this presumption. Small governments are not synonymous with the absence of corruption, while countries with very low levels of corruption have relatively large governments, as in Scandinavia and the Netherlands. In any case, defining good governance simply in terms of the absence of corruption is not very useful. While considerable corruption is clearly antithetical to good friendly liberalization, deregulation or privatization will improve governance, as they generally down-size and weaken the effectiveness of governments. Mody and Rahman (2008) criticize the recent turn in ‘good governance’ and quality of government (QoG) for inadequately addressing the issue of what constitutes QoG in the first place. They identify at least three problems with existing definitions: they are extremely broad (e.g., ‘good governance’ is ‘good-for-economic-development’), or only deal with corruption. The problem with broad definitions is that if good governance or ‘QoG’ is everything, then maybe it is nothing.’ (Rothstein and Teorell 2008:168). They also argue that the literature fails to distinguish between issues that concern access to power and those related to the exercise of power.

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governance, good governance implies much more than the absence of corruption, or even clientelism, nepotism, cronyism, patronage, discrimination, and regulatory or policy capture. Rothstein and Torfök reject the view that the existence of corruption or government failures imply that minimalist government is best for development or for eliminating corruption.

Aron (2000) did an early survey of the relevant literature on growth and institutions, to assess the strong claims found in studies causally linking growth to governance. He notes methodological and measurement flaws that can overestimate the impact of governance and institutions on growth. Methodologically, most cross-country econometric studies suffer from selection bias, as African countries – where institutions are generally weak and growth poor because of idiosyncratic problems such as civil war – are over-represented. Secondly, most cross-country regressions use reduced-form equations where some measures of institutional or governance quality are used as exogenous variables, such as investment, assumed to directly affect growth. Such regressions can overestimate the impact of institutions on growth, if institutional or governance quality also affects the efficiency of investment. It is difficult to disentangle the direct effects on growth of institutional quality variables and their indirect effects – through their impact on investment.

Moreover, many institutional indices used are ordinal indices, which rank countries without specifying the degree of difference among countries, with numbers assigned to ranking. However, to be used meaningfully in a growth regression, such an index needs to be transformed into a cardinal index, where the degree of difference matters, not just the order. There is no reason to assume a one-for-one linear conversion from an ordinal to a cardinal index. For instance, giving a band A under a certain index in country A may be twice as good as that in country B, where the judiciary is three times better than in country C. But ordinal ranking on a scale, say from 1 to 10, of countries will not necessarily reflect the intensity of institutional quality differences among them. The often arbitrary aggregation of different components of many indices is also problematic as, typically, the coefficient of a particular index in a regression is added up or averaged with the same weights.

Reviewing some conceptual issues in the complex relations between institutions and economic development, Chang (2005) concludes that definitional issues, the failure to distinguish institutional forms and functions, excessive focus on property rights, and the lack of a plausible, let alone sophisticated theory of institutional change are major problems of this influential literature. While it is unlikely that we will soon have a comprehensive theory of institutions and economic development that will adequately address such theoretical and methodological issues, recognizing and addressing these problems is imperative. More carefully developed key concepts and better knowledge of historical and contemporary experiences will also be necessary.

Is good governance necessary for development?

Meisel and Oudl-Aoudia (2007) note that no theories of economic development support the claims of ‘good governance’ advocates. Nevertheless, it has been acknowledged that the governance agenda has defined policy reform goals for developing countries that are widely supported in some developing countries and, especially, by foreign financiers and donors. Such goals include strengthening protection of property rights, rooting out corruption, achieving accountable and democratic government, and imposing the rule of law.

However, the evidence conclusively shows that countries have only improved governance through development, and that what is termed good governance is not a necessary precondition for development (Khan 2009, 2010; also Kurtz and Schrank 2007a). All developing countries do possess good governance indicators, but some perform much better than others in terms of economic development. This underscores the urgent need to identify key governance capabilities that will help developing countries accelerate economic development and thus eventually improve governance more generally on a sustainable basis.

According to Sachs et al. (2004), many African countries are actually well governed once governance indicators are adjusted for income level. Poorer African countries do more poorly on governance measures than richer countries; after all, doing well on governance measures requires resources. After adjusting for income levels, this conclusion also holds when countries are ranked in terms of the Corruption Perceptions Index of Transparency International or the Economic and Political Freedom Index of Freedom House.

The study also finds a weak relationship between governance improvements on the one hand and growth on the other, when all countries are considered together. It also challenges the common claim that Africa’s development problems are due to poor governance. While there undoubtedly are poor African countries suffering from poor governance, the authors believe that this diagnosis is wrong and instead point to many well-governed African countries stuck in poverty.

Sachs et al. (2004:121-122) thus concluded, ‘Africa’s crisis requires a better explanation than governance alone. Our explanation is that Africa, even the well-governed parts, is stuck in a poverty trap, too poor to achieve robust, high levels of economic growth and, in many places, simply too poor to grow at all. More specifically, governance reform, by itself, will not be sufficient to overcome this trap’.

However, these findings could also mean that ‘the governance capabilities that the good governance approach focuses on may be less important for developing countries and the governance weaknesses that African countries suffer from may be very different from the ones identified in the good governance approach’ (Gray and Khan 2010). This interpretation is more consistent with the historical analyses of the governance capabilities that enabled a few developing countries to develop from poverty to prosperity in the last half century. Kim and Jacho-Chávez (2009) find that regulatory control, reduced corruption and increased effectiveness were of little significance for growth, while the empirical relationship between voice, accountability as well as political stability, and growth are highly nonlinear. So targeted government reform, rather than wholesale reform, may be more effective in accelerating economic growth.

Implicitly, many ‘good governance’ proponents presume a binary world in which all countries have the same set of institutional characteristics. But some countries score badly due to pathologies that prevent them from ‘catching up with the wealthy countries, such as corruption, lack of democracy, state failures, market failures, etc.’. But other countries may be simply countries that would be ‘wealthy if they were not ill’. Rather, they are structurally and systematically different in many ways, and it is therefore not easily possible or even practical to characterize development problems as ‘pathologies’. Not surprisingly, the imposition of formal rules from wealthy countries in low-income countries has not worked. According to Meisel and Oudl-Aoudia (2007), the universal ‘good governance’ prescription has actually had modest or even no impact on growth. As governance reforms may destabilize existing social and political orders, they may be so ingrained that resistance is strong, and has often become insurmountable in the short to medium term and may also adversely affect the feasibility of other much-needed reforms and changes.

The evidence that improved or good governance accelerates growth is unconvincing. Instead, the statistical correlations using good governance measures actually suggest that growth and development improve governance, rather than vice versa. Kurtz and Schrank (2007a) note that a number of developing countries have fallen short on the most widely used World Bank good governance benchmarks, but yet have performed well in terms of growth, equity and structural transformation. Their development experiences suggest that capacity and ‘market governance’ better explain their unusually high growth rates and their higher levels of education, social equality and government effectiveness rates despite their modest, compromised or even corrupt administrative capacity.

Governance may not be significant in the way proponents of good governance claim. The extremely dire conditions typically associated with failed statehood or state failure probably preclude much economic or social progress, and can lead to declining productivity and output as well as falling living standards. However, not all good governance is feasible or beneficial, let alone necessary or desirable in all circumstances. Contrary to the usual exaggerated claims about how much ‘institutions matter’, transparency, accountability and participation are often a consequence, rather than a direct cause of faster development (Goldsmith 2005).

The incontrovertible long-run association between good governance and high incomes provides very little guidance for appropriate strategies to induce high growth (Rodrik 2008). Large-scale institutional transformation of the type entailed by the good governance agenda is hardly ever a prerequisite for getting growth going. Poor countries suffer from many constraints, and effective growth accelerating interventions address the most binding among them. According to Andrews (2004), corruption and other governance weaknesses that African governments grew at an average annual rate of less than 2 percent between 2000 and 2006, whereas countries with ‘ineffective’ governments (scoring below 50) actually grew by an average rate of about 1 percent annually, despite facing much more daunting challenges, such as higher population growth. According to Fukuyama (2008), even if economic growth is not undermined by a strong developmental state, it would require ‘just enough’ development-accelerating governance capacity. He thus disagrees with the good governance orthodoxy of the World Bank and other donors which continues to assume that good governance accelerates growth, comprehensive institutional reform is a pre-requisite for development. Growth accelerations can have occurred under different institutional and policy regimes (also see Hausmann, Pritchett, and Rodrik 2004). Fukuyama (2008) notes that virtually every country and region in the world experienced higher growth during 2003-2007.

Corruption and economic growth

Corruption can adversely affect development in many different ways, especially if it diverts resources that would otherwise be invested productively, if it increases costs by increasing uncertainty. However, the historical evidence does not show a significant role of anti-corruption measures in accelerating economic growth. The growth rates between fast and slow growing developing countries in the 1980s and 1990s were not associated with significant differences in corruption indicators (Khan 2006). In fact, the median corruption indices for both fast and slow growing developing countries were similar in the 1980s and 1990s, with both groups scoring significantly worse than advanced countries.
There are many perspectives on the causes of corruption in developing countries. First, the most influential view is that corruption is principally due to the greed of public officials who abuse their discretionary powers in their own self-interest, i.e. self-seeking bureaucrats or politicians. Second, weaknesses in enforcing legal rights, including property and contractual rights, result in higher costs for negotiating, enforcing and protecting contracts. Weakly protected property rights or poorly enforced contractual rights – and associated corruption – seem widespread in developing countries, including Africa. Anti-corruption strategies therefore require strengthening government enforcement capacities.

Third, rents can provide important incentives for innovative behaviour, often deemed essential for economic progress, which cannot be ensured simply by creating or liberalizing markets. Such rent creation was also important in many African development strategies prior to economic liberalization in the 1980s (Mkandawire 2001). But often, state-created rents served to augment informal economies and rents of politicians. The major policy challenge then is to better motivate innovative and entrepreneurial behaviour, while limiting related rent-seeking. However, the efforts to eliminate all state-created rents have reduced the institutional capacity of many African governments to address market failures (Gray and Khan 2010).

Fourth, patron-client relations are often associated with ‘political corruption’ involving efforts by politicians and others to retain or gain power. Developing countries’ governments, political parties, factions, movements, business interests and politicians may use such measures, often because the factors contributing to or resulting from such rent cannot be addressed by more conventional measures, e.g. owing to fiscal constraints. Clientelism needs to be regulated to limit its most damaging consequences; meanwhile, the ability of governments to build and expend according to their own priorities – rather than according to those imposed through aid or debt conditionality – should be enhanced.

In the course of economic transformation, how productivity assets and resources get re-allocated to emerging productive sectors through non-market processes as property titles or even illegal (asset grabbing). Therefore, the relevant governance policy question for many African countries is why such accumulation persists without the consolidation of a more productive and less contested asset distribution. Would registering property titles or other more well-defined property rights be the solution? One cannot be confident in light of the very mixed experiences of the legal titling campaign in many African countries (Nyam- Musembi 2007).

While all corruption is damaging in some way, and is hence undesirable, some types are much more damaging than others. Claiming to fight corruption in developing countries generally and in Africa in particular (by implementing a laundry list of desired governance reforms) sounds impressive and deserving of support, but such efforts often ignore more feasible and focused policies that can improve economic development. As it stands, it is impossible to address all types of corruption simultaneously, good policy should focus on the types of corruption most damaging to development such as those that waste precious investment resources. Reform priorities should respond effectively to actual challenges and circumstances. Otherwise, governance reform efforts can set unattainable targets, inadvertently causing disillusionment and reform fatigue as failure becomes apparent.

**Reform implications and priorities for Africa**

Many donors have instrumentalized good governance indicators as key criteria for disbursing development aid. Having become central to donor conditionality, the governance reform agenda has become the ‘conventional wisdom’ in much of the African development discourse. It is in pursuit of the popular aspirations of millions across the continent who face the burden of poor governance on a daily basis and who want their leaders to be held to account through genuinely democratic political systems. Reform priorities should respond effectively to actual circumstances. Otherwise, governance reform efforts can set unattainable targets, inadvertently causing disillusionment and reform fatigue as failure becomes apparent.

Furthermore, there is typically little guidance on appropriate prioritization, sequencing, feasibility and what can be achieved in the short term and what can only be achieved over the longer term (Grindle 2004). The good governance agenda is particularly demanding on African governments that are poor, badly organized, politically unstable or lacking in legitimacy. But reluctance to pursue any particular prescribed reforms could result in poor performance scores, likely to adversely affect support from donors (Grindle 2004).

African policymakers receive confusing signals as donor policy-makers’ condition aid allocations on such performance standards. Compliant African governments are rewarded for good behaviour with more generous aid, while non-compliant governments are punished. But what constitutes good behaviour for donor governments, and if inappropriate, what should it be? What policies will improve governance effectiveness scores? And will such policies foster development?

The answers are unclear. Aid recipients are rewarded for pursuing policies that are not coherent, including stabilizing politics, deregulating markets, lowering tax rates, ensuring citizen health and well-being, maintaining macroeconomic stability, providing reliable infrastructure, and guaranteeing civil servants’ capabilities and integrity. What, then, should aid recipient governments do? Raise taxes to enhance fiscal space and provide better health care and education? Risk social and political stability by cutting spending? Raise living costs by liberalizing prices and eliminating subsidies? Almost every seeming solution aggravates another problem, just as many supposed good governance measures may also adversely affect economic development.

Instead, ‘good enough governance’ implies a more realistic, pragmatic, and better prioritized and sequenced understanding of the evolution of governance capabilities. Hence, ‘good enough governance’ may be more realistic for countries seeking to accelerate development. Such an approach necessarily recognizes priorities, trade-offs and conditions and trade-offs in a context in which everything desirable cannot be pursued simultaneously. This implies acting on knowledge of what is most important and achievable, rather than trying to fill all supposed governance shortfalls or gaps at the same time, and designing and implementing public policy reforms mindful of conditions and context (Grindle 2004).

Similarly, Meisel and Ould-Aouaida recommend ‘governance for development’, a new, broader concept of governance including various institutional arrangements that inspire confidence which, they suggest, vary with the country’s income level and other factors. Reform priorities should be determined by recipient countries, instead of donor requirements, while reforms should take account of context and realities. DFID (2003) suggests that better understanding of context could help policymakers avoid making superficial judgements about development performance and its determinants which aid donors make inallocating concessional finance. Donors need to avoid being overly influenced by short-term fads, or to equate ‘good’ performance with implementation of a favoured policy priority. The desirability of such an approach has also been recognized by the African Governance Initiative (AGI). Many now agree that institutional reforms in Africa should not aim at compliance with global ‘best practices’, but at a ‘good fit’ with countries’ needs and potential.

History provides a useful longer term perspective on good or poor governance, and on how to achieve it (Khan 2010). It also provides useful insights into processes of change, including inter-connections among the economic, social, political and institutional dimensions of development, as well as for improving government. However, such historical insights do not lead to easy solutions or simple formulas for better government or economic development, but nevertheless suggest small, but important, steps to enhance the cumulative development effects of policy reform efforts.

Regardless of their political structure, successful developing countries have had high levels of political corruption, typically necessary for political stabilization through patron-client networks (Gray and Khan 2010). Hence, adapting governance capabilities to the specific conditions of African countries is very different from the exclusive focus on democratization, decentralization or anti-corruption that the good governance approach espouses. Besides emphasizing country context or political economy, this implies significantly shifting away from telling African countries what they should do to eliminate poverty, to support instead the changes required for accelerating development. This would imply being less preoccupied with implementing a specific policy or institutional reform in its own right, while better understanding what seems to work in particular circumstances, and why.

**Note**

1. The political economy of development in Africa: A joint statement from five research programmes, April 2012. The five research programmes are: Africa Power and Politics Programme; Developmental Leadership Programme; Elites, Production and Poverty: A Comparative Analysis; Political Economy of Agricultural Policy in Africa; Tracking Development. The statement is available from http://differenttakeonafrica.files.wordpress.com/2012/04/joint-statement.pdf

**References**


