USAID Global Bureau
Center for Democracy

Democratic Governance:
A Conceptual Base for
United States Economic and Technical Assistance

by

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DEMOCRATIC GOVERNANCE:
A CONCEPTUAL BASE FOR
UNITED STATES ECONOMIC AND TECHNICAL ASSISTANCE

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EXECUTIVE SUMMARY

The objective of this study was to "[c]omplete a review of USAID, multilateral donor and NGO experience in governance to be used by USAID/G/DG to develop a strategy for governance activities." Accordingly, the two authors examined the scholarly literature on governance, reports and documents from United States Agency for International Development, the World Bank, the United Nations Development Programme and other sources as well as reviewed past USAID program and project activities in the area of governance. Interviews were also conducted of USAID officials in Washington, D.C.

The study was conducted over a four month period (September 1994 to January 1995). The authors examined key terms including "democracy," "governance" and "democratic governance" and placed them in both conceptual/theoretical contexts as well as in the practice of development. The failure of past democratic governance attempts were examined and guidance as well as a taxonomy of governance and governance interventions were developed.

Past USAID projects in the areas of decentralization and local government, public administration/management and policy reforms, legislatures and elected/deliberative bodies, constitutionalism and strategic assessments of democratic governance were examined to extract the "lessons learned" from these development investments.

Based on the above research, the study recommends that a governance initiative by USAID include five key concepts:

1. Development of a strong, integrated, analytical capability to support institutional, organizational and policy reforms in democratic governance.

2. Development of a body of administrative routines, procedures and skills explicitly linked to supporting the institutional, organizational and policy changes the analytical center will recommend.

3. Continued analysis of USAID and other donor experience in governance.

4. Training needs of participants to implement results of analysis must be highly applied.

5. Development of Social and Political Economic Analytic Capabilities in USAID or secured by USAID to make explicit factors which may mitigate against democratic governance.

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1 See Annex A, Scope of Work for Governance Review.

2 See Annexes C (Selected Bibliography on Democracy and Governance) and D (Extended Bibliography on Democracy and Governance).
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I. INTRODUCTION

The purpose of this report is to provide guidance to the Center for Democracy of the Global Bureau of the U.S. Agency for International Development in the development of a program of activities in "democratic governance."1 Pursuant to the authors' Scope of Work (SOW), the report has been organized into several sections: (I) introduction; (II) conceptualization; (III) taxonomy and analysis of governance; (IV) projects; (V) interventions, and (VI) conclusions.

Conceptualization examines how democracy and governance can best be conceptualized to avoid logical contradictions and provide clear direction for USAID's democratic agenda. Questions raised and discussed in this section include:

- How does the concept of governance relate to and support the concept of democracy as currently understood by USAID?
- How do the donor and academic communities understand (i.e., define and operationalize) the concept of governance? and
- What issues need further clarification?

Taxonomy and Analysis of Governance deals with what approaches have been used in the past in pursuing good governance and raises and discusses the following questions:

- Is there a basis for a "model" of good governance?
- What appears to cause "governance failure"?
- What guidance does this offer donors?
- What taxonomy may be used to organize and highlight key features of governance activities and how can one choose among them?

Projects examines USAID past projects and raises and discusses the following:

- What field activities have been pursued in governance programs? and
- What are the lessons learned from these experiences?

Conclusions: Suggested Interventions examines the optimal strategies and content needed for pursuing an effective democratic governance program in AID's field operations.

II. CONCEPTUALIZATION

A. Governance and Democracy

A useful task in determining the domain of the concept of "governance" is first, to disentangle it from the concept of "democracy" and second, to clarify each concept. This is needed to show how governance activities might be reasonably expected to relate to sustainable democracy, to provide a clear and independent focus for an agenda of governance activities, and to clarify the relationship between governance and other democratically related activities. In all this, the reader must bear in
mind that there are a variety of ways of looking at these concepts, and no available pure forms ("Platonic" or otherwise) to measure them against. Because all definitions are matters of convenience we cannot hope to end the debate on these questions.

B. Democracy

The purpose of this brief review is four fold. First, it is to argue that to commit oneself to "democracy" is to say little without a detailed exposition of what is meant by the term. For example, both Rousseauian (continental European) and Lockean-Hobbesan (Anglo-American) models of democracy are arguably democratic to most analysts, but they differ vastly: Rousseauian democracy was a system which emphasized equality, unity and authority at the center. Lockean democracy emphasized personal liberty, pluralism and local autonomy.2

Second, it is to suggest that one cannot intelligently develop or advocate a strategy to achieve "democracy" until the above exposition has been made. For while each of these is arguably "democratic," they differ significantly and what ought to be done to encourage their effective operation and survival will differ as well.

Third, it is to suggest that "democracy" itself is rarely simply an end. People choose various forms of democracy because they believe it will bring about goals they value: personal development and empowerment; an end to abuse by arbitrary rulers; broader mobilization of talent into government; better policy; greater personal liberty; revolutionary change; etc. The way democracy is defined implicitly identifies certain of these goals above the others.

USAID has not been without debate on its understanding of democracy. It has included in that debate a number of serious "think-pieces" from the several regional bureaus, as well as from its overall leadership.3 Some have rather simplistically offered lists of features of democracy without specifying why these features rather than others were chosen. Others have discussed why some features may be argued to be critical, and given an overall conception of democracy as a purposive and coherent system. Except by administrative fiat though, no real consensus has been reached on this question.

Fourth, it may well be that you can't get "there" (to a workable program) from "here" ("democracy" in the abstract as the goal). This deserves further discussion.

Rather than thinking of "democracy" as something coherent and holistic, it is probably better understood as a variety of ways of making collective choices which are oriented toward broadly based accountability and lawful governance, in the pursuit of values that social units agree upon. Specific ways of making collective choices are chosen both because the mechanisms are valued in themselves, and because they appear likely to succeed instrumentally.

What agreement there is in USAID on "democracy" has, properly, avoided a fixed and holistic model; rather it has stressed a number of "bits and pieces" of democratic structure which appear relatively noncontroversial today: rule of law, elections and civil society. There is nothing wrong with this list,
except that they are "means" as much as ends, and what they are intended to serve as a "means to" is left unresolved except by the still undefined (and probably undefinable) term "democracy."

Some have broadened the "democracy" list to include such operational qualities as human rights, increased opportunity for women, expanded participation, enhanced rights for labor, etc. The only problem with these qualities is that merely stating them leaves unanswered the questions of how to attain them, and how they fit together to create and sustain a working system of governance. At the bottom line, what they offer is not a scheme or plan of governance as an operational system, but a set of desirable qualities. How they are to be achieved is still unresolved. How they should work together to resolve our partners' governance problems is not clear either.

USAID thus faces a number of problems of conceptualization and operation in trying to use the term "democracy" to define and integrate its democracy and governance agenda. If it defines democracy very specifically it may be vulnerable to criticism as ethnocentric, may foreclose a good deal of viable institutional diversity, and may seem irrelevant to the tangible and real-world problems in which the field and our partner governments are generally involved. While it avoids these problems with its loose and open definition, it lacks an integrating framework for its program and rationale for the pieces it supports.

If it broadens the definition to include normatively oriented operational features (respect human rights, broaden the opportunities of women, encourage broadened participation, etc.) it provides some operational criteria to guide its institutional agenda, but it does not offer a framework to integrate a governance program, not does it answer a key question for partner-state leaders: while these may be good things to do, how will they help us solve our pressing operational problems? Absent those answers, perceptions of ethnocentrism, cultural imperialism and operational irrelevance may follow USAID's programs. Perhaps as important, limited commitment to our goals by partner countries will probably also follow. Finally, it is not clear that these operational qualities, important as they are, provide a compelling and complete definition of "democracy."

What has happened in recent years to open "political-development" for USAID's agenda is a remarkable agreement that prior regimes failed to achieve the most basic goals of development: economic growth, human freedom and social peace. There is also remarkable agreement on characteristics of these regimes which eroded or blocked these values: unaccountable and unresponsive governments; lawless governments; publicly insulated and over-centralized governments; corrupt governments; and policy-making and implementing-incompetent governments. While there is remarkably wide-spread consensus that governments have fallen seriously short in recent decades, and fairly wide-spread agreement on the causes of the shortfalls, the support for "democracy" as a specific set of institutional arrangements for achieving these goals is probably less firm.

Where does that leave us? Consider the following:

IF:  
  o there is no agreed upon definition of democracy;  
  o there is no consensus powerful theory of achieving the various conceptions of democracy to guide and integrate USAID's program;
o there is great institutional variability across the world which is arguably "democratic";
o field missions and partner-governments are motivated by tangible problem solving, to which "democracy" seems abstract;
o existing performance criteria (human rights, participation, etc.) are both too broad in that they lack context and not broad enough in that they do not explain how they will solve pressing real-world problems of government; and,
o existing institutionally related activities lack an integrating framework and are likely to be incomplete remedies on their own for governmental failures;

THEN: o perhaps a better focal point for USAID would be a more tangible, operational, generally accepted, and clearly field-relevant goal: better management of public affairs, or "governance."

HOWEVER: o because of USAID's legal and policy commitment to democracy as a priority, this should be cast and implemented as "democratic governance," i.e., achieving better governance via democratic means.

Such an approach solves a number of pressing problems. First, "governance" is explicitly and by consensus accepted to be the "process of managing public affairs." There is little disagreement that public affairs need to be managed, and managed well. Under "governance" the question becomes analytical rather than normative. Second, there are, historically and theoretically, many ways of "doing" "governance": monarchies, aristocracies, oligarchies, despotisms, theocracies, single-party-vanguard systems and military-rule, to indicate a few. These systems can be compared and evaluated on their performance in "managing public affairs" and on the fundamental values they exemplify and sustain in that management.

Third, if part of the agenda of governance is improving the management of public affairs, and in the AID context it is to focus on strengthening such qualities as "transparency" and "accountability," it cannot ignore the areas of elections, due process, or civil society. All three play large roles—in theory and in common sense—in improving governance.

Fourth, USAID Missions are organized largely to be problem solving entities. On its face, democracy does not clearly solve problems. However, governance, with its focus on performance, does offer a tool relevant to their agenda, while a governance program can work as well on showing how democratic strategies can work to improve governance.

Happily for USAID, the vast weight of contemporary analysis points to the same conclusion: more broadly based, accountable, constitutional and lawful regimes (i.e., broad features that most would accept as "democratic governance") are, over the long-run, more successful ways to accomplish governance. Thus, these reforms in a governance framework can be argued as operationally effective, not only as normatively justifiable.

This democratic governance conceptualization thus offers USAID an operational element that is probably more relevant to mission agendas (i.e., it is meaningful to speak of strengthening democratic
governance in a sector and thereby in solving sectoral problems, but democracy does not on its face appear to be a solution to such problems as collapsing health care. A more flexible agenda through democratic governance better fits the diversity of operational and philosophical "space" US-partner governments might be in, and strategies they might pursue. Democratic governance provides more tangible criteria to evaluate progress (i.e., a focus on performance); a normative bottom line on what is and is not acceptable in "governance" (democracy); and a framework to integrate the various aspects of the Center for Democracy's program.

Ultimately, perhaps the greatest advantage of a democratic governance focused strategy is that it focuses on the real-world bottom line agenda of the field: making governments operate better, but it leaves room to include normative boundaries, such as respect for human rights, due process, equality for women, elections, rights of labor, etc. Because the disciples of comparative political analysis, public policy and public administration have long focused on governmental performance, there is likely to be a good deal more theoretical and conceptual guidance for a democratic governance agenda than for a purely democratic one. The latter has been more the domain of philosophers than empirical social scientists. This report is not suggesting that USAID alter its fundamental commitment to sustainable democracy as one of its two core goals. Instead, it is arguing that democracy's conceptual generality and abstraction, as well as its diverse manifestations, mean it is unfeasible as a framework to organize, analyze and evaluate a field program. We believe that the more restricted and focused concept of "democratic governance" is a better tool for these critical tasks.

"Democracy", perhaps understood as governance arrangements which emphasize broad participation, accountability, and rule of law, can and should remain at the purpose level as the core of AID's concern. "Democratic governance" becomes a framework to focus AID's activity on improving the management of public affairs within acceptable democratic norms: because we are proactive and interventionist at this level, we must know exactly what we are doing, why, and how it relates to our immediate goals. "Sustainable Democracy" becomes the overall criteria to judge the program: do governance arrangements consistent with broad understandings of democracy (broad enough to encompass the diversity noted above), survive? Because AID is not designing programs and projects at this purpose level, here it can work better with the real-world diversity and creativity our partners will bring to their long-term governance arrangements. They will and must vary greatly in their search for democracy, and AID's concerns must be whether their outcomes (and our contributions) fall within broadly understood democratic parameters.

C. Governance

Governance as an identifiable and specialized concept first appears in the literature of social science in the 1960s. While there is no single bottom-line definition, there are a number of common concerns and general findings in its varied uses. Its first generalized use is regarding the governance of corporations.7 Corporate governance dealt with the challenging question of managing organizations which were characterized by:

- multiple groups to which they were accountable (i.e., stakeholders), whose support was needed for effective operations (shareholders, financiers, labor);
multiple and complex production processes, operating in environments characterized primarily by change (in technology, consumer preferences, costs of inputs, production processes, value of capital equipment, competition, cash flows, etc.);
the need to achieve both stable (i.e. predictable) and dynamic (flexible and adaptable) relationships with key partners in the supply, production and marketing processes; and
obligations to conform to the lawful requirements of multiple governmental entities (local, state, national governments, regulatory agencies; court decisions, etc).

In this complex milieu, governance is understood not simply as managerial techniques and decisions, but as the operations of the institutional structure of the corporation. Specifically, it is the distribution of authority, prerogatives, limitations, resources, information and the like that creates a structure of incentives and disincentives to satisfy accountability, produce goods effectively, coordinate with other entities, and meet legal requirements successfully. Governance therefore is a far greater task than "management," and deals with the issues of systematizing effective internal and external transactions and operations; so the corporate entity can survive in its environment, both regarding external functions and internal cohesion. Issues commonly considered within the realm of corporate "governance" included the role of shareholder, the board of directors' authority, executive prerogatives, role of labor in decision-making; the balancing and respective roles of such functions as finance, marketing, production, research, development, legal counsel, public affairs (relations); decentralization of authority; nature of relationship with other corporate entities (contract, partnership, ownership); reward structures; personnel tenure; allocation of profits; etc. Some of these issues are settled by corporate articles; some by public law; some by private law (contracts) some by managerial and unit discretion; some by convention; and some are open questions.

In dealing with corporate operations, the literature on governance emphasized developing systems of rule-governed relationships that give key persons incentives to carry out actions that sustain its multiple goals and functions, and disincentives to avoid negative actions. Optimally, transaction costs, opportunity costs, uncertainty, spillovers and the like are considered in constituting such systems. Managerial discretion is nested in such systems in ways that tie incentives for organizationally functional actions to unavoidable ambiguities in information. Governance thus is the institutional (rule-governed) arrangements that deal with the particular functions of and conditions faced by a single organization, and transcend but certainly guide day-to-day management of its affairs.

The concept of governance first became a major subject of discourse regarding government in an arena remarkably similar to the corporation: U.S. metropolitan government. Once again, this is a highly complex entity, accountable to many and diverse groups and interests, producing a diversity of services and goods, relating to other governments, in a highly changing environment, itself governed by the laws of numerous legal entities, and dependent on the continued input of resources from diverse sources. If anything, metropolitan government is even more complex than the corporation because it lacks even the illusion of a single directing entity; all U.S. metropolitan governments (even "uni-governmental" systems) are composed of many, independent and autonomous jurisdictions; and as a rule produce non-market goods as monopolies or oligopolies and therefore lack price signalling mechanisms to help provide information to guide allocations of resources. Since metropolitan governments employ millions of people, provide critical (life-related)
services for hundreds of millions of people, and spend billions, the effective management of their affairs is clearly critical.

Simple hierarchical models do not capture either the reality or even a desirable possibility for metropolitan government. While such models make thinking about metropolitan government far simpler and questions of democratic control superficially clearer, they are not adequate even in theory to the tasks faced by metropolitan governments. Large numbers of persons; producing vastly different services and goods (most with highly varying economies of scale), with different problems and opportunities for negative and positive spillovers; different production functions; varying collective-private good dynamics; and different consumer preference patterns; and with different needs and resources, and the like, far exceed the ability of any manager (or "mayor") to direct, or any single institutional structure to produce. Similarly, the competitors for the public's attention and concern, the costs of information, and the need to attend to legal requirements of other levels of government mean that any simple plebiscitarian system of public control is likely to be inadequate to genuinely inform or direct decision-making.

The metropolitan polity is characterized by a plethora of different, often overlapping public entities, producing diverse goods and services for diverse populations. Such an arrangement cries out for some form of organization: within the varying jurisdictions, among them, with their clients/citizens, and vis-a-vis other levels of government: but simple hierarchy would never succeed. As in the case of corporate management, the term governance seemed to capture this complex process: how is authority allocated among the diverse actors in the metropolitan polity to facilitate the effective, efficient, responsive and continuous production of goods and services. The conventional notion of "government," implying a single and defined locus of authority and responsibility, was not an accurate depiction of this reality. Similarly, the conventional notion of democracy (i.e., elections) did not capture the diverse ways the various jurisdictions related to and responded to their environment: a few via elections, some via joint boards and consulting mechanisms, some via close operation with interested parties, some via informal mechanisms, some in response to externally defined professional norms, and many in conformity to laws passed by other jurisdictions. Just as corporations' affairs were more than "management," metropolitan governments' affairs were more than "government": both could be better understood as engaged in a broader activity some have called "governance."

In the early 1980s, with the publication of Guidance, Control, and Evaluation in the Public Sector, the concept of governance was applied to the general provision of goods and services by governments. A large and diverse collection of essays on governance in North America and Europe, it emphasized the inadequacy of simple hierarchical organizations and simple democratic procedures to provide goods and services in an efficient and publicly responsive way. It argued that effective choice of and delivery of goods and services by governments required attention, in particular, to such factors as multiple levels of accountability (upward, lateral, downward), effective information and feedback flows, organizational pluralism, organizational constitutionalism and rule-making, due-process, internal flexibility in service/production-system design, nested and lateral linkages to other organizations, resource flows linked to performance, and decentralization of decision-making to fit the relevant production and decision-making unit. Overall, the key findings of this literature are that the governance arrangements of any organization or system critically affect its subsequent...
performance, and that usually multiple, layered and decentralized-nested institutional arrangements are necessary for effective governance.

III. GOVERNANCE: AN ANALYSIS AND TAXONOMY IN THE DEVELOPING WORLD

A. Models of Governance

Since several World Bank reports in the early 1980s, governance has received increasing attention from donors and academics concerned with the developing world. From the maintenance of infrastructure to the delivery of human services, to creating and sustaining a favorable environment for investment enterprise and production, to the management of the public purse, to sustaining domestic peace and tranquility, to expanding opportunities for hitherto discriminated and deprived people, analysts came to recognize that the quality of governance was critical to virtually all developmental goals.10

As discussed above, governance currently is generally understood in the development community as the management of public affairs. This does not merely include the action of governments, but refers to the way a society, and communities within a society, organize to make and implement decisions on matters of general concern: to resolve matters that are seen as problems by a given society. Much governance will go on entirely outside the administration of government: non-formal education, private and religious schooling, community self-help, farmer, fishermen, and other cooperatives, labor organization, private charities, business activities, and the like. Legal frameworks (contract law, torts, incorporation, etc.) may well regulate these activities in a very general way, but to all intents and purposes, they are non-governmental governance.11

Mixed arrangements also exist, where non-governmental organizations participate in the management of affairs of general concern in a specific partnership with governments. These could include labor union officers charged with enforcing labor standards; women's groups involved in implementing family planning or pre-natal campaigns and clinics; local organizations negotiating with governmental officials on their role in setting and enforcing use rules for public infrastructure such as irrigation systems; and private banks implementing government-established credit systems to encourage certain forms of investment or enterprise. In each of these, key matters of public affairs are managed by rule-governed relationships which guide the actions of formal government agents or agencies, entirely private organizations, and private persons, but without the detailed management by a single locus of control. Governance also occurs through formal government organizations, which act in roles familiar to all, setting and implementing policies on matters of all sorts. And while they have critical roles to play in establishing legal structures and social prerequisites to guide and energize all this, the "management" that is necessary for the governance of a society is not the management of executives, but the organization of authority and responsibility relations among large numbers of persons, so that the decisions and actions necessary are taken to provide for the chosen collective good. Effective governance arrangements are not mechanisms of government control, micro-management, or rule: they are mechanisms that structure the activities of these diverse participants, often giving them real power, so specific and general goals can be reached!
Because of the complexity (technological, cost, time, space) of goods and services desired by human beings, because of the interdependencies people share, because human interaction is characterized by such recurrent problems as dealing with spill-overs, commons problems, public goods problems, and problems of individual advantage vs. collective and cooperative action, many and diverse governance arrangements have been found to be necessary. They work in multiple operational areas to define purposes and scopes of action and membership, clarify responsibility, control conflict, gather and share information, secure personal needs, stabilize expectations, assign duties, distribute costs and rewards, establish new political and governance arrangements, and the like. Optimally, they do this by providing individuals with incentives to cooperate in the production of generally valued outcomes and in the avoidance of generally accepted "bads."

Governance arrangements need to be understood as operating at two levels: (1) the arrangements which structure human activity around a given problem or goal (such as health service delivery, criminal and civil justice, basic education); and (2) the arrangements by which people make their choices. Governments are critical as organizations which help establish each of these arrangements. Once established, they become but one player in the overall activity of governance. The belief that governments monopolized both the establishment and operation has contributed to many of the governance failures of the past, because it excluded information, players and checks, and encouraged error and abuse of power.

Elinor Ostrom and her colleagues have done extensive research on governance arrangements in the management of commons systems and the maintenance of physical infrastructures throughout the developing world. When their work is combined with the governance work cited above, a number of complimentary injunctions for designing working governance arrangements is suggested. Their approach presumes that the driving force of governance is individuals who engage in purposive behavior as affected by their contexts, resources and institutional (governance) arrangements. This work presumes a model of individuals who are: moderately self-interested; have the capacity to learn from their environment and change their actions; and are satisficing (rather than maximizing) actors. The goal of this analysis is to learn how to create environments where persons have the ability and incentive to develop and revise governance arrangements which respond satisfactorily to their problems and enhance general well-being, without externalizing costs on others. Based on this research, a pattern of prerequisites to good governance can be suggested. Specifically, this includes:

- absence of severe asymmetries of power among participants (political equality);
- participants select and can remove legislative and executive role occupants (political accountability);
- there is linkage between actions and consequences for the actors and participants (policy consequences symmetry);
- definition of unit of collective choice corresponds to the problem to be resolved (unit-problem appropriateness);
- actors have the authority to take action on the problem and to revise the rules that structure their choice making process (authority capacity);
- actors have adequate information to assess performance of their arrangements (sufficient information);
institutional arrangements are nested in broader arrangements that strengthen rule of law/due process (procedural integrity); and
actors have limited ability to transfer resources from other arenas and dominate choice-making with those resources (institutional discreetness).

Under these conditions, there are reasons to expect those involved in governance will learn from its performance, be directed by the consequences to those affected, and have the capacity to revise their arrangements accordingly.

It must be understood that this governance "model" reviews the general qualities this research and theory suggests ought to characterize decision-making arrangements for complex areas of governance, but not the specific applied decisions those lead to. Those must correspond to the particular priorities, needs, technologies and contexts which vary from governance arena to arena. The argument here is that these general arrangements over time will bring about specific decisions and policies likely to manage public affairs well. This would apply to the most complex and broadly gauged governance arena (national government), as well as to governance arrangements in other arenas: metropolitan government, health care, education, and the like.

It also focuses on the governance arrangements rather than the decisions themselves because the problems, needs, priorities, technologies specific to any arena will change. What is critical for good governance is arrangements that can deal with those changes. Indeed, governance arrangements themselves must be open to change. Governance arrangements are not perfected and left to operate on their own, but are continuously operated by changing individuals who must be led to govern well by the choice-sets, options and consequences they face. Because the problems they face and the contexts in which they work may change dramatically, they need choice-sets and options that enable them to revise and recreate governance arrangements that work well through and in those changes. Governance is thus a multi-iterative and multi-level process concerned with both making decisions which arrange and manage a set of activities and recreating the means by which it will do so in the future.

The model is by no means a detailed protocol to analyze all governance problems and direct detailed follow-on activities. Instead it is a broad analytical framework to help donor personnel: (1) determine what general (i.e., global) capacities they might need to respond to governance problems; (2) analyze and make strategic sense of the general governance problems faced by a given country, thereby helping inform the choice of specific design teams (i.e., in decentralization, rule of law, elections and accountability, etc.) to develop programs to ameliorate specific governance problems; and (3) in conjunction with both institutional specialists and specific sector specialists, analyze the governance problems found in a specific sector, and recommend appropriate follow-on project activities. In order to intervene effectively in the realm of governance, this report argues that USAID must:

1. agree on a model of institutional arrangements likely to bring about effective governance;
2. analyze what real-world policies, institutional arrangements, and conditions have impeded and compromised effective governance;
3. determine which of those it can most effectively work with to improve the prospects of good governance.

The above section has attempted to clarify a model of abstract qualities the absence of which are likely to produce governance failure. The next section (Section B) will attempt to review some of the causes of governance failure in the developing world. Section C, below will discuss their implications for USAID.

B. Governance Failure and the Developing World

Good governance is not a simple thing. If it were, one could reasonably expect to find a lot more of it. Recent studies of governance, particularly in the developing world, suggest several types of problems that have impeded it, including (1) institutional-organizational (2) social-contextual, and (3) political-systemic. Specifically:

1. Institutional-Organizational
   - institutional and political overcentralization;
   - administrative shortfalls in skills and organization;
   - flawed institutional design;
   - poor policy making capacity;

2. Social-Contextual
   - maldistribution of power;
   - severe social inequality;
   - ethnic, religious and caste particularism;
   - pervasive discrimination;
   - underdeveloped civil society;

3. Political-Systemic
   - political personalism (patrimonialism) and patron/clientage;
   - oligarchic and class rule;
   - ideologically driven policy.

1. Institutional and Organizational Problems and Governance
Effective governance can be undermined by a variety of flaws in institutional design. Over centralization is one of the clearest and can cause problems for accountability (those who make policy are far from the reach of those who live with it), inadequate information (distance, time and information leakage problems), inappropriate units of action (diseconomies of scale impede problem solving; overloaded decision makers do not respond to local problems), policy consequences (those who make policy do not live with its consequences) and political inequality (those in the periphery are far less politically influential than urban dwellers. Over centralization damages governance by
impeding action that could solve the real-world problems people face: authority is misplaced, initiative is penalized, resources are misallocated, and developmental activities and social services are produced sub-optimally.

**Flawed institutional design** can also hurt governance. Legislative bodies without staffs; ministers accountable only to presidents; budget procedures that exclude legislative input; electoral systems that systematically underrepresent certain groups or do not work at all; courts that are vulnerable to executive pressure via its control of salary, placement, tenure or personal security; local authorities without taxing powers; "decentralized" services without systematic local input; local governments whose personnel are selected, paid, promoted and demoted by a national civil service commission; etc. compromise governance on such criteria as: political accountability, sufficiency of information, clarity of policy consequences, sufficient authority to act, appropriateness of unit vs. responsibilities, procedural integrity, and political equality. Such flaws are found all the way from national governance arrangements to the organization of field/delivery components of human service bureaucracies.

**Inadequate administrative skills** also compromise governance. Without them virtually every governance function is weakened. They are particularly critical to maintaining sufficient information, political accountability, procedural integrity, and the capacity of appropriate units of governance. These weaknesses compromise the ability of governance arrangements to manage information, analyze what they are doing and how well they are doing it, develop new programs, and answer to those who are to govern them.

The organizational-managerial dimension of government is a critical source of governance problems. Because there are so many and quite different governance functions, there will never be a single "blueprinted" organizational design. What can be done is to clarify the governance functions an organization (or organizations) is to perform and then to analyze its (their) institutional arrangements to see how officials who are supposed to play key roles within it will have the authority, incentives and opportunities to take the actions necessary to perform the function. Many times governance problems are caused directly by organizational and institutional design flaws. While this may seem daunting at first view, for the donor or reformer it is a form of "good news," as these problems are among those more accessible to induced change.

2. **Social-Contextual Problems and Governance**

Three general problems for governance lie in this area: inequality and discrimination, the development of civil society, and ethnic particularism. **Inequality and discrimination** undermine governance because they attack at root the ability of citizens to: authoritatively communicate critical information to officials, hold officials to account for failing to respond to that information, and thereby encourage them to improve performance and reform institutions. Inequality can also work to undermine procedural integrity (due process, rule of law, constitutionalism) and, by weakening already disadvantaged citizens, to weaken the performance of institutions of governance (local governments) otherwise appropriate to solve problems. Social inequality usually translates into political inequality and therefore into opportunities for some to abuse power over others.
Underdeveloped civil societies are important for many of the same reasons. Civil society acts as the "multiplier" for otherwise fragmented individual voices and helps overcome the problems of information, organization and decision costs. It helps compensate for the organizational advantage which governmental entities possess and thereby amplifies voices and interests otherwise not heard. It is particularly important in the governance dimension of accountability, equality, information, and assuring procedural integrity. Civil society can be a primary guardian against state lawlessness and abuse of power.

Ethnic particularism is a third social-contextual problem for achieving and maintaining good governance. Any type of systematic favoritism or discrimination will undermine the process of policy feedback and accountability essential to continuously refining and redirecting governance arrangements. It directly attacks procedural integrity, and can be used as well to mobilize resources to undermine institutional discreetness. Its existence can fragment otherwise appropriate units of action for shared problems. Not surprisingly, ethnic particularism can also engender social and political conflict which often destroys governance arrangements.

3. Political (Integrated)/Systemic-Level Problems and Governance

The most difficult problems for governance are created when several problematic patterns are integrated into a single, complex, operating system. For example, consider the case of personalistic (patrimonial), patron-client systems. These are characterized by systems of ties between persons who have exceptional control over resources, and subordinates (clients) who offer allegiance and obedience to the leader (patron) in return for protection and a share of those resources. Historical, strong networks can exist in such systems, with each person developing downward his own clients, until the poorest farmer at the bottom ends the chain. These are often reinforced (or built upon) ethnic, caste and religious particularism.

Such systems can be powerful order-maintaining arrangements as long as ample resources are controlled by the "senior" patron; each level passes down a sufficient share to take care of most beneath it; the income stream or flow of resources continues; those who try to opt-out or compete with it are punished; and the senior patron maintains a balance among his lieutenants that avoids competitive conflict. But patrimonial, patron-client systems embody several patterns which are quite problematic for governance. These include the bias toward distribution of goods rather than their production, the absence of lawful procedures for succession of power, the severe inequalities in power it maintains between lower and higher levels, the vulnerability of formal political institutions (judicial, administrative, legislative) and civil society to personal rule and the requirements of patron-client, and the fragmentation of collective action along patron-client networks.

The results for governance are quite severe. Accountability, both political and administrative, is blocked by patron-client interests. What accountability that exists benefits those already empowered and focuses on their all-consuming need to concentrate resources at the center for patrimonial distribution. Whether or not leaders are wise enough and skilled administratively to pursue strategies which sustain wealth production over the long-run is not certain. The fate of mineral extraction and small-holder agriculture in the last thirty years throughout Africa suggests that they are not. Due process and rule of law are also severely weakened by the informal and personalistic dynamics of patrimonialism, and genuine local government (except as a tool of selected patrons) is non-existent.

DEMOCRATIC GOVERNANCE: A CONCEPTUAL BASE
Indeed, any political institution which would allow individuals to solve their problems or improve their lives outside the patron-client structure is a threat to it, and therefore not tolerated. Thus sufficient authority for people to solve their own problems, the existence of appropriate units for collective action to occur, and institutional discreetness so persons can solve their own problems without interference from those at other levels, are all blocked. Information which might discredit such systems is also blocked. In such a vertical, top-down system, the units which make policy virtually never are the same as the units which live with the policy: indeed, as a rule they are consciously insulated from consequences via class, party or other elite status.

Patrimonial governance is extremely poor governance. Its dynamics thwart virtually every one of the prerequisites to good governance, and eventually lead to many of the governance failures listed above. Patron-client/patrimonial systems are extremely resistant to reform, until their (perhaps) inevitable contradictions destroy them: in their endless quest to subordinate all institutions and processes to asymmetrical, hierarchical personal ties; and to lubricate these with distribution of goods, they preclude rational policy-making and administration, fatally weaken downward accountability mechanisms which might correct poor performance, preempt community (and individual) entrepreneurship, deny security of law to persons and property, and subordinate efficient production to the requirements of patronage. They are prone to extreme policy error and bankruptcy and lack mechanisms to correct them.

While differing from patrimonialism in detail, other systemic patterns can be analyzed to show how they too lead to ineffective and costly governance. Narrow oligarchic and class-based rule, utopian and statist rule, rigid theocratic rule, each have their own patterns of political inequality; limited accountability; overcentralized authority; inadequate, distorted and opaque information; disjointedness between units which make and which live with policy; political interference with due process and rule of law, and the like.

C. General Guidance for Governance Projects

The theory of governance articulated in this report would predict the eventual demise of these systems, whether spectacularly (the implosion of the USSR) or gradually (the gradual decline of much of Africa in the 1980s). Until that happens, there is probably little the donors can do as the multiple dysfunctional patterns are linked into mutually supportive, strong, even if flawed systems. After the collapse of these systems, however, and during the time leaders and societies are open to new governance strategies, donors can work with government and civil society personnel and interests which wish to adopt these new strategies. To do this, donors need both strategic and tactical guidance. Strategically, an overall vision of governance and specific problems associated with it is needed. Tactically, close and careful analysis of each individual case, in order to assess its particular problems and leverage points is essential.

Generalizing from the strategy suggested by this report's model of governance, two broad and complimentary areas of intervention appear promising:

1. Organizational and institutional reforms; and
2. Social and contextual reforms.

Democratic Governance: A Conceptual Base
Continued support of systemic level pressures such as structural adjustment on complex and integrated counter-governance regimes, and which might force an opening for democratic governance reforms, may also be appropriate. However, once the complex and integrated systems have lost their hold, concern for political reform may call for easing these pressures. They can easily overload democratic-governance reforms before they take root.

As suggested earlier in this report (III-A), the governance model is not a detailed protocol of interventions, but an analytical framework to help focus our attention on what seem to be critical aspects of the governance process. It could be used in several ways:

1. to help develop a general base of project resources to respond to the several aspects of good governance;
2. as an analytical framework to assess the governance capacity and problems of any given country, and to suggest which specific, specialized design teams might offer relevant skills in responding to these needs; and
3. as an analytical framework to guide the analysis of governance problems in any given sector by joint teams composed of persons skilled in institutional analysis and in the given sector.

A strong, centrally based governance program would require persons well-skilled in the several areas of governance intervention. These would include at least the rule of law, due process, elections, bureaucratic accountability, decentralization, local government, civil society, policy analysis and development, civil service, key sectors (health, agriculture, education, etc.), and perhaps others in order to analyze the specific needs in these areas and develop project responses to them. Such personnel ought to be able to analyze these areas as institutions (i.e., vis-a-vis their own governance arrangements), as organizations and operations (how they are currently implementing their activities) and as personnel, and the links among these three levels. Appropriate interventions might frequently be expected to include activities at all three levels.

D. A Taxonomy of Governance and Governance Interventions

Governance-related interventions are as diverse as the many ways governance arrangements can be comprised. They also can be pursued at least three levels:

1. constitutional
2. organizational
3. personnel.

Both subjects will be explored in this section.
1. Governance Activities
There are many ways in which governance reforms can be pursued. These include:

Organizational and Administrative

- rule of law
- due process
- constitution building
- decentralization
- elections
- sector-specific reorganization and reform
- local government
- civil service reform
- deliberative/legislative institutions
- policy making procedures
- personnel development
- administrative organization and procedures

Social Equality/Civil Society

- women in development
- labor status/relations reform
- small-holder agriculture activities (land tenure, marketing, extension)
- media development
- general civil society projects
- civic education

In most cases, governance programs will require multi-faceted interventions. For example, if after a strategic assessment, it is believed that a key governance problem is insufficient and/or opaque information on government operations, an appropriate intervention may well require working with civil society to expand clientele and advocacy groups, clarifying authority for institutions or bureaucracies with key data gathering and analyzing functions, developing revised operational procedures for agencies, training officials in them, and strengthening due process oversight capacity and functions among judicial personnel.

Activities can be carried on at multiple levels. For example, at the constitutional level, activities deal with the core institutional arrangements and systems of governance. In decentralization, for example, constitutionally focused governance projects would focus on the allocation of authority and responsibility to decentralized entities including their discretion over personnel, revenue, budgeting, programs, ordinances and regulations, enforcement, grass-roots participation, their own reorganization, and the like: what they may do, may not do, and must do. An organizational-level intervention would focus on how they have organized their internal procedures and operations to undertake these activities: what systems they have for selecting, engaging, evaluating, developing, promoting and discharging their personnel; or, how they raise, manage, expend and audit their funds.
In other words, how are they undertaking their activities, how does it affect their performance, and how might it be strengthened to improve performance?

Finally, a personnel-level intervention would focus on the attitudes, skills, knowledge, role definitions/position descriptions of their personnel. How might these be altered to achieve better performance? The last strategy might include personnel assessments, organizational development, participant training, both generic and specific to single organizations. It will often be a critical complement to constitutional and organizational level interventions.

In reality, of course, each level is connected to the others. Problems met at the personnel level are often rooted in organizational-operational features and procedures. These in turn are often rooted in and cannot be resolved until constitutional-institutional features and provisions are changed. This, indeed, is precisely what the governance model would predict. While governance interventions can (and probably must) operate at all three levels to achieve lasting change, it is in focusing on the constitutional-institutional level and how that should be altered to support desired operational changes, that a governance strategy has the potential to make a unique and lasting impact on governance. It is here, if the research on governance discussed in part II-C of this document is correct, that the basic "direction" of the organizations involved in governance is set. While additional interventions can and should be pursued to fulfill the potential set by positive governance arrangements, if these arrangements are fundamentally wrong no level of organizational or personnel intervention will be likely to make a lasting difference. For example, in the Nigerian primary health care/decentralization reform, USAID and ODA analysts independently concluded that until significant responsibility for raising revenue was lodged at the local level and issues of inter-governmental relations were resolved, primary health care would never overcome problems of grass-roots apathy, local mismanagement, and corruption.

To reiterate, while constitutional-institutional analysis is fundamental to governance activities, the organizational and personnel levels are valuable and necessary complementary levels of analysis and intervention. It should be noted that constitutional-institutional analyses are not just for the center, nor are personnel interventions for the periphery. Local governments themselves create governance arrangements (for local services, problem solving) via the rules they promulgate and the relationship they develop with private interests; cabinet offices have personnel which may need training. These activities are not tied to "center" and "periphery," but to various "spheres" of existence of any governance arrangement.

Schematically it looks like this:

**Figure 1: Three Levels of Governance Interventions**

Constitutional-Institutional Provisions

Organizational Operations

Personnel Actions
B. Public Administration/Management and Policy Reforms

Almost every student of public administration in the United States begins his/her studies by reading Woodrow Wilson's classic article, "The Study of Administration." In this article, Wilson's call was two-fold: (1) for a neutral civil service to function in a government environment characterized by the separation of politics from administration and (2) for the development of a "science of administration" which is constrained by U.S. political values. From the beginning, the study of public administration in the U.S. has been concerned with the relationship between the civil service and the people it serves as well as the civil service and the elected political leadership who supervise or manage the civil service. The terms "bureaucracy and democracy," "democracy and the public service," "democracy and the administrative state," and "representative bureaucracy" have been subject to academic scrutiny since the end of World War II. Domestically, the U.S. has experienced a history of the development of public administration/management within a framework of democratic governance.

Vice President Al Gore enunciated five principles of "Governance and Modernization of the Democratic State" in his September 16, 1994, speech to officials of the Inter-American Development Bank. Four of his principles related directly to public administration/management, while his fifth impacts on public administration/management. J. Brian Atwood's two principles of participatory development deal with the "public" in "public administration." The U.S. Congress through the appropriations process has encouraged USAID to manage the development of transformation policies and to implement reform programs to stabilize democracy and implement a market economy in reference to Central and Eastern Europe. Currently, then, U.S. foreign policy encourages the development of public administration/management and policy reform within a democratic governance context.

With the "third wave of democratization" which has effected political systems in Africa, Asia and Latin America, as well as the demise of the former Soviet Union, the "regime succession" which is being experienced by these countries has a substantial public administration/management and policy reform dimension. The so-called "windows of opportunity" appear to have opened in many countries which are trying to move from an authoritarian past to one which has the potential for democratic governance. A very key ingredient to the transition from authoritarianism and democracy is the successful transformation of public administrative systems originally designed to maintain authoritarian governance to public administrative systems responsive to their citizens directly and indirectly through elected representatives of the people.

In the former Marxist-Socialist countries, the rigid, coercive public administrative systems (which Marx promised would "wither away" with the advent of communism) are undergoing change. In the former European colonies of Africa and Asia, the public administrative systems still maintain elements or traits associated with colonial bureaucracies even after several decades of independence. The terms "transparency," "accountability" and "responsiveness" are being used by the people, their elected political leaders and the mass media in these countries. In fact, the terms have become demands for transparency, accountability and responsiveness. The point being made here is that the agenda for public administration/management and policy reform is still there but is being cast into a democratic governance context or framework.
At present, several factors have converged: (1) a history of public administration/management and public policy within a democratic governance context; (2) policy statements supportive of public administration/management and policy reform efforts within democratic governance contexts abroad; (3) USAID's "track record" in public administration/management and policy reform and (4) a global environment which is seeking, in some cases demanding, radical transformations in public administrative systems originally designed for authoritarian purposes. All four factors combine to present "windows of opportunity" for U.S. foreign economic and technical assistance.

C. Legislatures and Other Deliberative Bodies

USAID's involvement in providing technical assistance to legislatures and other deliberative bodies has been minimal. In the search of USAID files using "legislative and political development" and "parliamentary systems" as key phrases from 1990 to the present, 16 entries involved either studies of legislatures or legislative training.26 An additional 8 entries from 1975 through 1989 were also discovered.27 Even though USAID assistance to legislative bodies has doubled since 1990 (in comparison to the 1975 to 1989 period), in comparison with either sector funding or other institutional development, assistance to legislatures has not been substantial.

Legislative bodies are the most political of political institutions. USAID's reluctance to become involved in projects which may have political land mines imbedded in them is understandable. As well, other U.S. agencies are involved in working with foreign legislatures--the United States Information Agency and its USIS is one which has provided funding for foreign legislators to make observation tours of other legislatures, in particular, those in the United States. On the other hand, requests for assistance to improve legislative information systems, train legislative staff, and technologies which might enhance informed decision making by legislative bodies are areas where most of the politics might be kept at arms-length and USIA/USIS does not operate. Assistance to legislative bodies might also be the basis of co-financed projects since other bi-lateral assistance agencies (the British, for example) have expressed interest in assisting the development of legislatures and the legislative process.28

D. Constitutionalism

Constitutionalism is fundamental to good governance in general and sustainable democratic-governance in particular. It is not an area in which USAID has worked much in the past, but our ability to contribute to it may be important to sustain democracy in the future. Exactly how USAID might projectize this may require further study and discussion. However, a first step in this is to review the concept and its role in democratic governance.

At the core of a governance strategy is the need to institutionalize governance arrangements that are effective in managing the complex and diverse public affairs of a society. As noted earlier in this report, these arrangements exist at two levels:

1. the procedures, requirements, etc., which define what governments must do to make lawful decisions;
Constitutions are the bodies of law which establish the first of these sets of arrangements. If, in fact, there exist general patterns of arrangements which are more conducive to better governance, as this report has argued, then establishing them in law (and in social norms) so they are valued, supported and respected is probably a key element of any effective governance strategy intended to achieve sustainable democracy: unless they are "institutionalized" as the foundation of detailed governance arrangements in the various sectors, any governance successes are likely to be ephemeral.

Constitutions are critical in governance for two reasons. First they allocate powers, authority, limits and obligations to various roles in government. In doing so they define how decisions are to be made, who is to make them, what limits there are to permissible government actions, who is accountable to whom, what recourse persons have in disputes, what the legitimate rewards of office are to be, and the like. This is important in that they establish the frame or skeleton of governance, and thus can "hard-wire" the political process in any of many directions: centralization vs. decentralization; information adequacy and transparency vs. opaqueness; accountability vs. arbitrariness, etc. They are also important because their existence is the primary protection against personalism: if a government is to be of laws and rules, and not of men, women, and powerful organizations, then it is here that the rules must first be asserted; it is from here that other rules will be protected.

Constitutionalism is, secondly, important because it can be used to discover, define and guarantee a social settlement. All societies are composed of diverse peoples with varying interests, values, fears and antagonisms, be they on religious, economic, racial, ethnic or other grounds. While constitutions are indeed technical documents in that they should establish governance arrangements conducive to good governance, they are also political documents, in that they must reflect a settlement acceptable to key elements of a society. These might include entrenched clauses, prohibited government actions, guarantees of regional autonomy or religious freedom and non-establishment, exceptional decision rules for certain areas of governmental activity, certain types of electoral systems (proportional representation) or executive arrangements (consociationalism), provisions for redistribution of wealth among various regions, specialized representative arrangements (corporatism), and the like.

Effective constitutions, an ongoing debate in political science since Aristotle, can take myriad forms. However, they seem over time, space and culture to share several features. For example one important feature of good constitutions is provisions to change themselves. Governance arrangements are never "completed." New requirements and problems require change in how decisions are made, what government's powers are, and the like. Thus there must be provisions in a constitution to change itself; otherwise extra-legal recourse must be taken. For a government to actually be "governed" by a constitution, of course, it cannot be able to casually and easily change that constitution. If it can, then there is no rule-of-law to control it, no sense the "social settlement" is somehow sacrosanct, and no protection from self-interested meddling in those governance arrangements by people in power. Instead, to serve their functions, constitutions must be amendable only by extraordinary procedures, ones generally outside the control of the government of the day: by popular vote, by a special convention, by ratification of sub-national constituencies or communities, etc.
Secondly, effective constitutions require mechanisms by which the people can enforce them against the government. Governments will violate constitutions: they always have and political and personal interests will mean they always will. But if the people have no recourse against this, there is no constitution. This usually requires an independent judiciary with authority as the ultimate arbiter of these issues, and a vigorous civil society to undergird it. Recent events in Ghana suggest such processes can work even in countries with a hitherto poor record on all these criteria.

Third, constitutions which endure clearly do not centralize all power in one branch or office. The potential for policy error, abuse of power, and de facto internal coup is too great for such constitutions to endure. Instead, and as noted by constitutional analysts such as Aristotle, Polybius, Ibn Kaldun, Montesquieu and Madison, as well as by noted political anthropologist Lucy Mair in pre-colonial Africa, power needs to be distributed and allocated among branches with the capacity and incentive to resist encroachment from one another. This can take many forms which allow room for diverse cultural traditions. But it must exist. Fourth, and finally, they must rest on a broad social settlement which involves and is acceptable to as much of the society as is possible.

Constitutions, of course, often fall short of these criteria. Broad post-war "social settlements" were not, for the most part, the basis of the developing-area's constitutions. Critical social divisions were not resolved in constitutional arrangements, with class and rural-urban gaps the most pronounced, and ethnic ones important often as well. Also, constitutions were often highly flawed, with all power concentrated in a few hands, and features not designed to encourage popular control, executive-legislative balance, or judicial autonomy. Grossly statist economic strategies concentrated power into the executive branch, sucking vitality and independence from civil society, the lawful opposition, and private citizens. Finally, social power was highly asymmetrical, leaving people outside elite classes with few resources to challenge government abuse of power.

Some of these problems can be changed. Others cannot. One advantage of today is the crisis faced by many regimes. Sometimes it has been nascent race-conflict and economic collapse (South Africa); sometimes general unrest, threatening the regime's hold on power (Korea, Thailand, Philippines); sometimes it has simply been economic collapse under the poor governance of authoritarian systems (Argentina, Zambia, Ghana, F.S.U states). Regardless, in moments of crisis there are openings for significant revision of constitutional arrangements. And, after the crisis has passed, there are significant windows of opportunity to help sustain and strengthen a new constitutional arrangement, both via technical assistance and broader social change. Persons must learn new roles; enabling laws, organizational reforms, technical needs must be defined and fulfilled. Social change can be sustained as former state property is redistributed. Much can be done, and a governance strategy should pursue it.

E. Strategic Assessments

The need for economic "assessments" has long been recognized within the development community. The World Bank, the IMF, and in some measure USAID and the other donors regularly conduct macro-economic analyses of their partner countries, and develop sector assessments out of those and other data. These are the basic descriptive and analytical resources which are used to develop country strategies, set priorities, and design programs and projects. They are also critical in gathering
base-line data for project assessment and in guiding policy agenda and dialogue with host countries. USAID would not consider trying to build an economic portfolio without such strategic, analytical work. Otherwise, how would projects take account of obstacles, and opportunities, complement one another, and avoid tripping-over the projects of other donors? How could projects be coupled with coherent policy-dialogue to support integrated economic reform? How could USAID meet congressional expectations for tangible evidence of progress toward project and program goals without a record of the baseline data?

Precisely the same logic applies in the governance sector, though even more so. All the needs mentioned are valid, but in the governance sector, sensitive strategic analysis is even more critical because of several additional factors:

- as a relatively new area of donor activity, there is far less data accumulated already to draw on;
- as USAID is a (the?) leader in this area, it cannot easily use data gathered by others;
- as a relatively new area of donor activity, less is known about what does and does not work; this means aggressive data collection (and project monitoring) is critical to gather the lessons of experience;
- as there is no single, accepted "numeraire" (unit of measurement) for democratic governance (unlike units of currency in economic development), qualitative analysis, doable only in the field, is critical to design and assess projects;
- as a relatively controversial area of donor activity, where unexpected consequences are to be expected often, it is important USAID have the documentation available reasonably effectively to be able to explain how it chose to do what it did; and,
- as a highly sensitive activity, early and strong linkages to host-country academic and NGO personnel need to be developed to guide and help build support for USAID activities: strategic assessments can be a foundation to begin these relationships.

USAID has not completed many "strategic assessments." Nonetheless, it has done several through the "Democratic/Governance" project, formerly of the Africa Bureau. These projects offer a number of lessons of experience for this activity:

- democracy assessments need to be integrated through a single theoretical framework in order to assure a comprehensive picture is drawn, comparative knowledge is generated and learning can accumulate;
- democracy assessments require sufficient personnel and time to be effective; specifically something in the range of 20 person weeks, allocated among three or four persons;
- team members should include at least two in-depth country specialists, while the remainder of the team should be familiar with the general area;
- a majority of team members should be very familiar with the analytical framework; the remainder must be willing to learn and work in it;
- team members should be familiar with a diversity of political institutions (i.e., civil society, bureaucracy, legislative, executive, local government, etc.);
- some field work should be done outside the capital city;
USAID, the Embassy and USIS must be comfortable allowing the team to talk with all relevant participants in the political process, and on all topics;

host-country personnel should be involved in the team;

scope of work should be developed multilaterally by the mission and, USAID personnel familiar with democratic governance assessments, and researchers who have already completed field assessments;

some team members should have extensive experience with USAID project and program modalities and options;

team members should be trained in political science, policy and related fields; and,

if program development and project design are desired by the mission, additional field time for selected team members is desirable.

While complete ad hoc-ery is one approach (i.e., develop a team for each country as it needs one), that has numerous disadvantages. Particularly, it would be very difficult to develop, sustain and learn from any analytical framework. There would be little learning curve to "travel" as the personnel, venues, and analytical frameworks would tend to be idiosyncratic to each country and task: some might go well, others less so, but little would be transferred. Furthermore, central learning would be impeded by the turnover in teams. We believe building a body of core personnel for each region to use in repeat assessments is much preferable.

Secondly is the question of the role of the core managerial staff. While a small, essentially logistical core may be appealing on cost grounds, we believe it would be a great mistake. A center able to play an active role in the intellectual task is far preferable because it will be able to:

- better select and develop field teams;
- better guide missions in determining what their democratic governance options are earlier in the process;
- develop more realistic and effective scopes of work;
- better evaluate and refine team performance;
- enhance the learning process by and among the field teams by helping them interpret what they found and by passing it along to subsequent teams;
- refine and develop a democracy/governance analytical framework;
- assist coordination of the diverse "Democracy Center" resources in follow-on project development and design activities; and,
- act as an analytical center to integrate the experience and findings of the various democratic governance projects, including the task of outcomes assessment.

Thus the authors of this report strongly urge a robust assessment capacity be designed into any democracy-governance capacity, and that these personnel play a major intellectual role at the core of the democracy governance program. This should include:

- developing further an analytical framework for democracy/governance research;
- beginning dialogue with missions on their democratic governance needs;
- developing scopes of work for democratic governance strategic assessment;
identifying, preparing, coordinating, supporting democratic governance strategic assessments;

- analyzing, evaluating and disseminating findings of democratic governance strategic assessments;

- suggesting follow-on teams for program and project development for missions;

- integrating and disseminating the lessons of democratic governance projects;

- providing cross-regional services such as developing methods of assessing democratic governance projects and programs, developing objective verifiable indicators for democratic governance activities, and the like;

- supervising publication of materials relevant to USAID's democratic governance program.

This is an ambitious list of activities. But they are all logically related, and build on the key role that can exist if one, ongoing group of democratic governance personnel skilled in both intellectual and applied democratic governance issues is tasked with developing an analytical framework, working with the missions, building assessment teams, evaluating their work, and coordinating follow-up activities. It would help keep a potentially sprawling democratic governance program focused and coherent.

V. CONCLUSIONS: SUGGESTED INTERVENTIONS

It has become commonplace to recognize that economic development is produced out of the interaction and linkage among a variety of human and physical investments. The development of human resource (skills) and natural resources, physical and social infrastructure, technology, institutions: all these and much more must be expanded and integrated for sustainable economic development to occur.

The same applies to democratic governance. Human skills, multiple institutions, systems of making and implementing decisions, and linkage and balance among them are necessary for effective and democratic governance to be sustained. This is one of the key findings of our literature search and an important departure point for a central project in the democratic governance area. Guiding the interventions suggested by this report are four areas of activity: policies, institutions, organizations and people.

For the past several years, and if activities in public administration, local government and sector-focused reforms are included, for the past several decades, USAID has been active in democratic governance. However, hitherto (with perhaps a few exceptions via the Africa D/G project), these activities have not been systematic or integrated. They have tended to be individualized, stand-alone activities which, when studied later, appear to have had little impact on governance. One likely reason for their limited apparent impact on democracy or governance has been their fragmentation.

The Center for Democracy has an excellent opportunity to step beyond these parallel but fragmented efforts via its proposed "democracy" project. To accomplish this, there are four broad lessons of experience that the Center should build on.
First, USAID needs to develop an overall framework to guide and integrate the various activities that contribute to democratic governance and sustainable democracy. As this paper has tried to make clear, none of the traditional aspects of "democracy" alone will provide a sustainable and effective form of government. Elections without civil society are prone to plebiscitary despotism; civil society without rule of law or elections is interest group dominance; decentralization without central authority tends to petty local autocracies and fragmentation of policy efforts; a strong civil service without all the rest is elite rule. Balanced development is necessary to governance progress but "balance" while necessary is not sufficient.

The activities must also be integrated around an overall and theoretical governance framework which guides activities: which activity is critically needed; which ones less so? Which are the governance problems of top priority? In proposing the "governance framework" in Section III, this report has attempted to provide an example, based on field research (not abstract theorizing), of one such model. To repeat, the first requirement is for a framework or theory of effective democratic governance which can guide strategic assessment of host country governance problems, and to guide the interventions USAID would suggest. Nothing in the world is more practical or needed than good theory.

A second broad lesson of experience is the need to engage in systematic institutional and policy analysis focused on the governance problem at hand. Many governance projects which fall short of their goals (see Section IV, Projects, above), did so because activities were launched before a full assessment had been made of the obstacles and opportunities which affected the activities. This is particularly the case in decentralization and local government projects. Governance interventions require, as a rule, multiple and complimentary changes: in host country institutions, policies, organizations, and personnel. Systematic institutional and policy analysis must be pursued in order to determine how institutional arrangements (restructuring the authority to take actions, changing lines of accountability, altering roles of other levels of government, changing civil service systems, strengthening clientele groups, and the like) must be changed in order to provide a structure of incentives and disincentives likely to sustain the desired governance change. Absent this analysis and the capacity to deliver technical assistance to host governments (and USAID Missions supporting those governments), fledgling governance projects are likely to founder.

A third lesson of experience is the need to integrate a variety of skills to achieve effective management of public affairs. The effective management of public affairs requires transparency, participation, accountability and responsibility. It must also be responsive to the needs of the people. Rule of law, civil society, elections, governance (including decentralization, local government, public administration/management and policy analysis/reform, constitutionalism, legislative/deliberative bodies) all contribute to the effective management of public affairs. Thus, several bodies of skills are needed to fit critical field needs, and to supplement personnel from USAID already experienced in these areas.

The fourth "lesson" is that USAID must provide interventions which are relevant to the operational needs of USAID's host country counterparts in the field, sensitive to the power-relations which affect them, and likely to capture and retain their commitment. This fourth lesson reflects the need to move beyond U.S.-centered administrative system and procedures and classroom-oriented training. It also
recognizes the need to consider the configuration of advantage and disadvantage among key actors in the field, carefully assess when and where there is receptivity to governance reforms, and how these reforms might be pursued to take these into account. Finally, it recognizes the need to design processes which include host-country stakeholders in developing specific reforms in institutions, organizations, and policies to facilitate reform proposals which reflect their knowledge and engender their ownership.

With these four "lessons of experience" in mind, this report recommends that a governance initiative include the following key components:

1. **Development of a Strong, Integrated, Analytical Capability to Support Institutional, Organizational and Policy Reforms in Democratic Governance.**

   Democracy-related projects that have experienced problems have usually done so because they underestimated or did not consider fully the systematic nature of governance, and the multiple and interactive changes needed for a project to achieve its goals. A strong, centralized institutional and policy analytical capacity is needed to assure that the linkages among the multiple aspects of governance reform are considered and provided for. This applies to each level of activity (local, regional, sectoral, and national) and must be capable of integrating the various levels as well. Work in decentralization, for example has repeatedly demonstrated the need to consider such issues as local revenue, local political activity, reform of national administrative law, revenue transfer/sharing from the national level, national planning, sector ministry plans and personnel, and intergovernmental relations. Progress in developing an overall model of democratic governance is essential. A strong analytical capacity, personnel versed in governmental operations at all levels, plus personnel experienced in processes of building consensus behind and ownership of new policies and procedures, are each critical to deal effectively with the need for and interest in the priority areas of decentralization and local government, complimentary areas of sector specific reorganization and reform, and the evolving role of central governments. This capacity is also necessary to deal with reforms at the center, in organizations and relationships among executive and legislative branches, and in reforms needed to strengthen transparency and accountability.

2. **Development of a Body of Administrative Routines, Procedures and Skills Explicitly Linked to Supporting the Institutional, Organizational and Policy Changes the Analytical Center Will Recommend.**

   While systems and institutions are critical aspects of governance reform, personnel skills and abilities and administrative routines are critical to make these reforms work. The organization of administrative responsibilities, the existence of effective management information systems, effective civil service systems, budgeting practices and systems, accounting and auditing practices and systems, and procedures for disbursement, expenditure control, and post audits are all critical to achieve sustainable democracy. These are critical to sustain decentralization and facilitate enhanced transparency and accountability. Effective stewardship of resources, effective delivery of services, sustained public trust requires no less. Any effective governance project must build these capacities into it, and must link them closely with the processes and activities described in (1) above. Public administration and management programs in the past have fallen short probably less technically than
politically. Mamado Dia's suggestive recent paper (A Governance Approach to Civil Service Reform in Sub-Saharan Africa) supports this conclusion and concern. Once again, personnel versed in these administrative and managerial skills and these systems at all levels of government, and under at times harsh resource constraints are critical to this project.

3. **Continued Analysis of USAID and Other Donor Experience in Governance.**

Through the evaluation processes, USAID and other donors have accumulated significant information on past project performance. Every evaluation team, interim and final, is asked to provide "lessons learned" as part of their evaluation effort. This study did not systematically examine every USAID direct and indirect intervention in the area of democratic governance: there are hundreds. But this kind of analysis should be undertaken to fully benefit from the past.

USAID also has to do a better job surfacing of past project performance/lessons learned information. The authors of this report saw gaps in what was surfaced from USAID files and some of these gaps were important in understanding the way USAID has used the terms "democracy" and "governance" in the past as well as in gaining knowledge of mistakes and successes. Many projects for which the team had evaluation copies in its own governance personal libraries cannot be found in USAID's information system. USAID's "institutional" memory needs strengthening.

4. **Training Needs of Participants to Implement Results of Analysis.**

Management knowledge and skills regarding managerial routines (budgeting, personnel/human resources, logistics) for personnel responsible for managing new, reformed or rehabilitated institutions is critical to the pursuit of more effective management of public affairs. However, previous USAID-supported training which has relied on formal, classroom pedagogy have done poorly. Indeed, in many cases, they have not been able to draw and hold the very people who needed the activity most! Participant training of a very applied nature, using resident experts and locally-developed materials, developing local networks, engaging in team building, centering on specific and real world problems, and multi-iterative in nature is critical to the success of governance interventions. Classroom-focused and academic training is deadly and must be avoided. USAID must avoid supporting training that contributes to "brain drain," and to do top-down hierarchical administrative strategies.

5. **Development of Social and Political Economic Analytic Capabilities in USAID or Secured by USAID to Make Explicit Factors Which May Mitigate Against Democratic Governance.**

Governance reform cannot operate in a social vacuum. As the report has tried to make clear, as well as organization failures, severe class and social inequality, gender and other forms of discrimination, and the like can preclude governance reform before it begins. While these issues are frequently beyond USAID's leverage, governance interventions must take them into account and must work on them where it can. A capacity to engage in social and political economic analysis will markedly increase the ability of the project to take these issues into account, and either avoid lose-lose situations, redesign activities, or link governance activities with complimentary activities in such areas as land tenure, small scale enterprise, property rights, agriculture, WID, labor rights and the like.
Finally, a strengthened social and political-economic analytical capacity will enhance USAID's ability to select the optimal sites for democratic governance initiatives, avoid or deal with problematic power relations, and engage in policy-change processes which facilitate ownership by local actors.

In review, we would emphasize once again the five aspects we believe needed for an effective governance program:

- a strong institutional and policy-oriented analytical capacity with particular focus on the interdependencies and linkages among the multiple dimensions of governance necessary to achieve reforms at the several venues of government activity: local, regional, sectoral, national, and the institutions and policy changes necessary to achieve improved democratic governance performance at each level;

- a strong capacity in public administration and management, with particular attention to systems appropriate for use in decentralized activities and in local government;

- a strong capacity in applied forms of management training and problem solving;

- a strong capacity to learn from and continue learning from USAID and other donor governance projects; and

- a strong analytical capacity in social analysis and political economy.
End Notes

1. The term "democratic governance" is relatively new and a major purpose of this report is to explore its meaning in scholarly literature as well as in materials produced by international and bilateral development agencies. An example of its use in a very recent publication is as follows: "Only the governments in Japan, South Korea and the Philippines support the promotion of democratic governance and human rights as universal norms, and their support is somewhat mild. All other governments contest these norms." Source: Muthiah Alagappa, Asia's Prospects for Democracy, EWC Special Report, Honolulu: East-West Center, forthcoming.

2. Of course, elements of the philosophy of Thomas Hobbes also appear in the U.S. model. Hobbes' thesis that man in the State of Nature tended to be driven to destruction by his uncontrolled appetites. This appears in a slightly altered form in the Federalist Papers. James Madison in Federalist Paper No. 51 wrote:

"...But what is government itself but the greatest of all reflections on human nature? If men were angels, no government would be necessary. In framing a government which is to be administered by men over men, the greatest difficulty lies in this: you must first enable the government to control the governed; and in the next place oblige it to control itself. A dependency on the people is, no doubt, the primary control on the government; but experience has taught mankind the necessity of auxiliary precautions. . ."

3. For example, see:
   o Heather McHugh and Michele Schimpp, A Summary of Principal Lessons Learned from A.I.D. Experience in Democracy and Governance, Washington, DC: Research & Reference Services, U.S. Agency for International Development, no date;

4. This is seen in a definition of governance by one political scientist: "We may define governance as the action of government plus its interaction with its nongovernment partners in the process of governing--in their collective relationship with the economy and public policy." William W. Boyer, "Political Science and the 21st Century: From Government to Governance," *PS: Political Science & Politics* 33:50-54, 1990, p. 51.

5. Vice President Al Gore emphasized transparency and accountability in his recent speech before the Inter-American Development Bank when he stated that the administration of the state must be honest and transparent. See: Memorandum from John Swallow entitled "Gore's Speech to IDB" dated Tuesday, September 27, 1994.

6. For but a very few of these studies and arguments, see:
- Robert Chambers, *Rural Development: Putting the Last First*, London: Longman, 1983; and

The issue which often perplexes people is the occasional strong-man or authoritarian government which achieves rapid economic growth for a short period of time. There are many cases of this, but few which are sustained over the long run [Mohammad Ayub Khan from 1958-69 in Pakistan is one], because the lack of feedback loops and accountability mean error once introduced is difficult to detect and fix, and because the occasional enlightened despot gives way to unenlightened despots with no institutionalized means of changing them. Finally, economic growth itself introduces such complexity and diversity that the relatively simple cybernetic structures that are authoritarian regimes are progressively less able to sustain growth. Historically, patrimonialism gave way to feudalism, which gave way to Weberian democracy and the republic, for the same way that feudalism gave way to the bourgeoisie: the earlier institutional
structure created changes it could no longer sustain. Eventually, it either decayed or evolved into a new form.

7. The separation of ownership from management which began in the U.S. in the 19th Century marked the beginning of a new form of corporate governance. Chief executives responsible to boards of directors who, in turn were responsible to stockholders emerged as a primary form of corporate governance. Major figures in this body of research include Oliver E. Williamson, Robert Coase, George Akerlof, A. Alchian, and H. Demsetz and; and at a theoretical level, Douglas North. Major works include


Regarding participative or participatory management and the involvement of workers in organizational decisions, the works of Barnard, Deming, McGregor, Argyris, Herzberg, and Ouchi should be consulted. In chronological order, see:

- Frederick Herzberg Work and the Nature of Man, Cleveland: World Publishing Co., 1966; and

W. Edwards Deming is in a class of his own. The "father" of Total Quality Management based on his famous "14 points" began exploring the world of work in the 1930s. A relatively recent book on his contributions to management is Mary Walton, Deming Management at Work, NY: Perigee Books, 1991.
8. A conceptual precursor to "good governance" was "good government" and it was in pursuit of good government that the Municipal Reform Movement of the early 20th Century was established. One objective of this movement was financial accountability at the local government level. The New York Bureau of Municipal Research, established in 1906 as part of this reform movement, initiated the adoption of budget classification by objectives of expenditure by the New York City Department of Health in 1907. See: Jesse Burkhead, Government Budgeting, NY: John Wiley & Sons, 1956, p. 127. The literature dealing with metropolitan governance is also vast. Perhaps the key article which initiated a rethinking of the sterile, prescriptive approach which had about run its course in the 1950s was the article by Vincent Ostrom, Charles Tiebout and Robert Warren, "The Organization of Government in Metropolitan Areas: A Theoretical Inquiry," American Political Science Review (December 1961), 55:831-842. Further work on these questions has been pursued by Elinor Ostrom and numerous of her colleagues.


11. Governance arrangements often do start with state decisions (which themselves are products of governance arrangements). For example, most systems of private education are nested within state regulations and licensing regarding the minimum training of teachers, certain required core units of study, perhaps minimum numbers of hours of instruction and the like. Such a system is also guided by state laws regarding teacher contracts, employee rights, building codes, student rights, due process requirements, and more. Within those parameters, private school systems are separate governance arrangements where much is left to their discretion. At either level (the state or the school system), governance arrangements could be flawed and disrupt the provision of this good and service. Both are clearly involved in the "management of public affairs" (governance),
they are linked, and their effective operation is equally clearly of general concern. Shortfalls in this function could exist at the school system level, the state level, or in social conditions beyond either of their control. Governance interventions could conceivably address any of them, though their relative cost-effectiveness and likelihood of success might direct one's attention away from the society and the school system to the state, as the level most likely to be affected by an intervention, and most likely to have a good spread effect (i.e., pay off for many schools rather than simply resolve one school's performance problems). See John Chubb and Terry Moe, "Politics, Markets and the Organization of Schools," American Political Science Review, 82, 4:1065-1087, 1988; and Paul Peterson, School Politics: Chicago Style, Chicago: University of Chicago Press, 1976.


15. It could be also used as a means to stimulate co-financing by the donor community. In an interview conducted on August 4, 1994, the Mission Director of a USAID Mission in an Asian country indicated that "good governance is a theme of cooperation among the donors and that this might be exploited in further efforts. . . ."

16. Political Science Quarterly 2 (June 1887).

17. Wilson stated that the science of administration was not created by Americans but by foreigners and what the U.S. should do is borrow this science:

We can borrow the science of administration with safety and profit if only we read all fundamental differences of condition into its essential tenets. We have only to filter it through our constitutions, only to put it over a slow fire of criticism and distil away its foreign gases. (Ibid.)


19. The four principles are: (1) the administration of the state must be honest and transparent, if democratic institutions are to survive; (2) the administration of the state should be streamlined and as efficient as possible; (3) the government must decentralize as many functions as possible and
deliver services as close to the people as possible; and (4) democratic states must make provisions for the security of their people. John Swallow entitled "Gore's Speech to IDB," memorandum dated Tuesday, September 27, 1994.

20. His fifth is democratic societies must rely on an open and modern judiciary. (Ibid.)

21. In discussing participatory development, the Administrator maintained:

"There is nothing more basic to the development process than participation. That is a lesson we have learned over the years, but it is one that we have not fully appreciated in all of its implications.

First, broad access by people to their country's economy and participation in their society's decisionmaking processes are results we seek to support; they are fundamental to sustained development; and

Second, our support is more likely to lead to these results if the development programs are relevant to people's needs, and for this there needs to be broad participation by people in defining development priorities and approaches.

Participation, therefore, describes both the end and the means; both the kind of results we seek, and the way that we, as providers of development and humanitarian assistance, must nurture those results."


23. The term "third wave of democratization" which is global in nature was coined by Samuel H. Huntington. See his book The Third Wave: Democratization in the Late Twentieth Century, Norman, OK: University of Oklahoma Press, 1991, which is based on a series of lectures he presented.

24. Two German officials cited above observed that "democracy" and "good governance" "...are not the new development creed of Western donor countries..." and cite two examples: "Democracy and human rights are of fundamental significance for development," from the Memorandum to the Stockholm Initiative on "Joint Responsibility in the Nineties" signed inter alia by President Aylwin of Chile, the Zambabwean Minister of Finance Chidzero, the former President of Tanzania Nyerere, and Salim Salim, Secretary General of the Organisation of African Unity; and "Good governance is basic to the economic and social progress of all countries," from the Action Programme adopted in Paris by the "Second United Nations Conference on Least Developed Countries" in September 1990. See: Hans Peter Repnik and Ralf-Matthias Mohs,

25. Several years ago, Mrs. Indira Gandhi in an interview with the Washington Post remarked that one of her father's greatest regrets was that he had not reformed the Indian civil service. The interpretation of this comment was that despite India's development as the world's largest democracy, the public administrative system still maintained the structure and practices that it inherited from the British.

26. These entries include (most recent first):
(4) USAID/Nepal, Democracy Project, Project Paper, 10 July 1992;
(10) USAID/El Salvador, Legislative Assembly Strengthening Project, Project Paper, 2 April 1991;
(12) USAID/Guatemala, A.I.D. Cooperative Agreement No. 520-0398-A-00-0868-00 to Fundacion para del Desarrollo Institucional de Guatemala for providing job-related training to newly elected [Guatemalan] congressmen and the Centro de Estudios Estrategicos para la Estabilidad Nacional (ESTNA), 4 October 1990;

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(13) William S. Cole, et. al., Program Strategy for Democratic Pluralism Initiative in Pakistan, Ernst & Young report submitted to USAID/Pakistan (Sponsor), September 1990;

(14) USAID/EI Salvador, Legislative Assembly Strengthening, Project Paper, 29 August 1990;

(15) USAID/Thailand, A.I.D. Grant No. 493-0342-G-SS-0130-00 to The Asia Foundation for a Project Entitled 'Strengthening Responsiveness and Capability of Elected Government in Thailand,' 17 August 1990;


27. From 1975 to 1990, USAID was involved in eight (8) activities related to foreign legislatures or legislative affairs. They include:

(1) A.I.D. Bureau for Latin American and the Caribbean, A.I.D. Cooperative Agreement No. LAC-0777-A-00-9022-00 with the Research Foundation of the State University of New York to Strengthen Democracy in Chile Through the Development of a Strong and Efficient Legislative Branch, 5 June 1989;

(2) USAID/Guatemala, Limited Scope Grant Project Agreement Between the United States of America (Acting Through the Agency for International Development) and the Congress of the Republic of Guatemala as Grantee Institution, 18 February 1987; Center for Democracy, Boston University, Report to the United States Agency for International Development on the Central American Legislative Training Seminar, A.I.D. Bureau for Latin American and the Caribbean (Sponsor), 30 September 1987;

(3) USAID/El Salvador, Legislative Assembly Strengthening, Grant Agreement, 30 September 1986; USAID/Honduras, Project Agreement Between the United States Government Acting through the Agency for International Development (A.I.D.) and the National Congress of Honduras, (Project Title: Strengthening Democracy--Legislative Orientation Program), 11 February 1986;


(6) Juan J. Linz, Democracy: Presidential or Parliamentary--Does it Make A Difference?, a paper presented at the Conference on the Role of Political Parties and the Return to Democracy in the Southern Cone, A.I.D. Bureau for Latin America and the Caribbean, Washington, D.C., (Sponsor) 9-12 September 1955;

(7) James M. Dillard, The Asia Foundation, Bangladesh Parliament Library, USAID/Bangladesh (Sponsor), 10 August 1979; and

(8) Malcolm Jewell and Chong Lim Kim, "Sources of Support for the Legislature in a Developing Nation: The Case of Korea," a paper presented at the Conference on
28. This appears to be the case in Bangladesh where discussions have taken place between British ODA, USAID, the United Nations Development Programme, The Asia Foundation and the Ford Foundation focusing on USAID's democracy initiative paper and how to better coordinate efforts.


30. This section has drawn heavily on two unpublished papers: Harlan H. Hobgood, "Why Democracy Assessments" (August 1994), mimeo; and Tina West, "Methodology for D/G Assessments" (October 1994), mimeo.
ANNEX A: SCOPE OF WORK FOR GOVERNANCE REVIEW

The Global Bureau's Democracy and Governance Center has just been formed. One of the four major areas of initiative in this new center is governance.

Objective: Complete a review of USAID, multilateral donor and NGO experience in governance to be used by USAID/G/DG to develop a strategy for governance activities.

Activities:

1. The primary focus of the review will be of USAID experience in supporting governance in developing countries. Experience of multilateral donors and NGO’s will also be surveyed to determine the thrust and success of their governance experience.

2. Develop a framework to summarize the types of activities and major issues. Describe the characteristics of those which were most and least successful and implications for conducting similar types of activities in the changed conditions in developing countries. What are the lessons learned from this experience?

3. Review current literature on governance. Summarize (with cites) guidance and lessons important to consider as USAID/G/DG develops a strategy for governance activities.

4. Review current USAID strategy and implementation guidelines for democracy to orient recommendations of the review toward required characteristics of all USAID programs. What types of governance activities show most promise for promoting the objectives of democracy and sustainable development?

Method:

1. Propose alternative definitions of governance and obtain agreement from G/DG staff on a working definition of governance for the paper. Present the framework for the paper to G/DG staff for approval within one month after work begins.

2. Every two weeks review progress with G/DG staff. The team will give a presentation of the draft to G/DG staff.

Deliverables:

One 20 page paper with bibliography and an executive summary. Three copies of a draft will be submitted to G/DG for review and comment. Comments will be given to the contractor within two weeks after G/DG received [sic] the paper. The paper will be finalized incorporating comments within a month after comments are received. Three copies of the final paper will be submitted to G/DG.
Expertise:

The Contractor is requested to submit a proposal for a team. The team should have the following skill areas represented: experience and academic expertise in: public administration, development management, governance and democracy, public choice theory, new institutional economics, incentives, participation, decentralization, local governance, institutional analysis, policy implementation, sustainability of program benefits.
ANNEX B: EVOLUTION OF THE USE OF THE TERM "GOVERNANCE" IN DEVELOPMENT

Use in the Donor Community

Since the donor community has used definitions from English language dictionaries as their starting points in defining governance, it might be useful to begin by examining what an unabridged dictionary has to say about four terms, "democracy," "democratic," "governance" and "government:"

"democracy, n. [Fr. démocratique; Gr. démoskratia, democracy, popular government, from demos, the people, and krating, to rule.]

1. government by the people, either directly or through elected representatives; rule by the ruled.
2. a country, state, community, etc. with such government.
3. majority rule.
4. the acceptance and practice of the principle of equality of rights, opportunity, and treatment; . . . "

"democratic, a. [Gr. demokratikos, suited to a democracy, from demokratia, a democracy; demos, the people, and krating, to rule.]

1. of, belonging to, or upholding democracy or a democracy.
2. of or for all the people; as democratic entertainment.
3. considering and treating others as one's equals; . . . "

"governance, n. [ME. governance, governance; MFr. gouvernance, gouvernance; ML. gubernantia, from L. gubernare, to govern, pilot.] exercise of authority; control; management; power of government."

"government, n. [Fr. gouvernement, from gouverner; L. gubernare, to govern.]

1. (a) the exercise of authority over an organization, institution, state, district, etc.; direction; control; rule; management;
   (b) the right, function, or power of governing.
2. (a) a system of ruling, controlling, etc.;
   (b) an established system of political administration by which a state, district, etc. is governed.
3. all the people who administer or control the affairs of a state, institution, etc.; administration.
4. any territory which is governed. . . "
It should also be pointed out that standard, abridged dictionaries do not differentiate between the words "governance" and "government." In Webster's New Collegiate Dictionary published by G & C Merriam Co. in 1980 defined "governance" as "noun: government."

**USAID**

Improving the way government administers or manages its responsibilities is not a new economic or technical assistance agenda item. Starting from the early days of the Marshall Plan, the United States provided assistance to countries to improve their economies. This assistance, filtered through governments, provided the basis for the economic "miracles" in West Germany and Japan in the early 1950s and South Korea and Taiwan in the 1970s. However, as has been documented elsewhere, with the exceptions of U.S. occupation of West Germany and Japan, the form of government was not seen as a requisite for external assistance. Rather, economic and technical assistance, particularly from the U.S. standpoint, was directed towards containing the expansion of Soviet influence.

The attempt to link democratic forms of government to U.S. foreign assistance has its origins in "...the enactment of Title IV of the Foreign Assistance Act (FAA) of 1961, which cites building democratic institutions as one goal." This action was Congressional encouragement for USAID to pay attention to "...democratic political development." Further encouragement from the Congress is seen in the passage of Title IX of the FAA of 1967 which called for "...maximum participation in the task of economic development. ...through the encouragement of democratic private and local governmental institutions." In the 1970s, the Congress attempted, first, to link U.S. foreign assistance to Basic Needs programs and, second, to link U.S. foreign assistance to the issue of human rights. Neither the advocation of foreign assistance to extend basic needs nor the linkage of foreign assistance to the issue of human rights per se were examples of linking forms of government to development but these actions by the Congress helped to focus attention on direct measures of governmental exercise of its governance powers.

By 1985, USAID had begun to incorporate terms such as "human rights," "participation," and "democracy" into its planning documents. By 1990, USAID had developed a policy statement which incorporated both the terms "democracy" and "governance."

More recently, Clinton Administration officials have gone on record linking forms of government with development. Thus, J. Brian Atwood, Administrator, USAID, stated:

"There is nothing more basic to the development process than participation. That is a lesson we have learned over the years, but it is one that we have not fully appreciated in all of its implications.

First, broad access by people to their country's economy and participation in their society's decisionmaking processes are results we seek to support; they are fundamental to sustained development; and
Second, our support is more likely to lead to these results if the development programs are relevant to people's needs, and for this there needs to be broad participation by people in defining development priorities and approaches.

Participation, therefore, describes both the end and the means; both the kind of results we seek, and the way that we, as providers of development and humanitarian assistance, must nurture those results.  

As well, the content of a recent speech by Vice President Al Gore was described as follows:

"The Vice President listed five areas that are of greatest concern to him and this U.S. Administration in the democracy area, and he strongly implied that they were Summit of the Americas priorities, as well. Gore stated them both as principles and solutions. The five areas he stressed were:

1. THE ADMINISTRATION OF THE STATE MUST BE HONEST AND TRANSPARENT, if democratic institutions are to survive. [used example of the Government of Chile's National Commission on Public Ethics, established under President Frei]

2. THE ADMINISTRATION OF THE STATE SHOULD BE STREAMLINED AND AS EFFICIENT AS POSSIBLE. [used example of Argentina's deep cuts in the federal public sector payrolls under President Menem]

3. THE GOVERNMENT MUST DECENTRALIZE AS MANY FUNCTIONS AS POSSIBLE AND DELIVER SERVICES AS CLOSE TO THE PEOPLE AS POSSIBLE. [used example of Bolivia and its new Popular Participation Law]

4. DEMOCRATIC STATES MUST MAKE PROVISIONS FOR THE SECURITY OF THEIR PEOPLE [he praised Chile for leading the way in pension reform, offering a model for Argentina, Colombia and, most recently, Peru.]

5. DEMOCRATIC SOCIETIES MUST RELY ON AN OPEN AND MODERN JUDICIARY [used Guatemala as example of opening and modernizing its judiciary and the Caribbean (CARICOM) drafting a "Charter on Civil Society"]

The World Bank
The World Bank (formally, the International Bank for Reconstruction and Development) began to deal with the issue of governance in low and middle income countries publicly when it issued its 1983
World Development Report. In focusing on management in development, the WDR called for systematic changes in the roles that governments played in their economies and for the improvement of the management of governmental responsibilities. This WDR created a great deal of internal debate because it called for relatively radical changes in the Bank's partners, i.e., governments of the countries receiving World Bank loans.

The World Bank report on Sub-Saharan Africa was the first attempt by the Bank to link development to improved governance. The Bank, however, has refused to link forms of government with its assistance efforts and has concentrated on improving "governance:"

"Governance, in general, has three distinct aspects: (a) the form of a political regime (parliamentary or presidential, military or civilian, and authoritarian or democratic); (b) the processes by which authority is exercised in the management of a country's economic and social resources; and (c) the capacity of governments to design, formulate, and implement policies, and, in general, to discharge governmental functions. The first aspect clearly falls outside the Bank's mandate. The Bank's focus is, therefore, on the second and third aspects."

Its reluctance to link forms of government to its loan programs may be due to its avoidance of politics. Rather, by linking governance to economics, it indirectly approaches democratic forms of government. In Governance and Development, the President of the World Bank, Lewis T. Preston, stated:

"Good governance is an essential complement to sound economic policies. Efficient and accountable management by the public sector and a predictable and transparent policy framework are critical to the efficiency of markets and governments, and hence to economic development. The World Bank's increasing attention to issues of governance is an important part of our efforts to promote equitable and sustainable development."

The Bank's most recent approach to improvements in governance has involved traditional public administration/management:

"A substantial part of the governance work in which the Bank is currently engaged comprises traditional public sector management categories such as civil service reform, public expenditure management, and public enterprise reform. This is a reflection that these categories are central to how power is exercised and that in these areas there is a substantial agenda of rehabilitation, modernization, and change. At the same time, the Bank has extended its governance activities to new areas of support, specifically accountability, rule of law, and transparency."

The United Nations
In 1990, the Second United Nations Conference on Least Developed Countries concluded: "Good governance is basic to the economic and social progress of all countries." The United Nations
Development Programme in its issuance of annual Human Development Reports has also emphasized the human rights dimensions of good governance.

Lower and Middle Income Countries

The leadership of some low and middle income countries have endorsed the idea that democracy (as a type or kind of governance) is positively related to development. In a Memorandum to the Stockholm Initiative on "Joint Responsibility in the Nineties" signed inter alia by President Aylwin of Chile, the Zambabwean Minister of Finance Chidzero, the former President of Tanzania Nyerere, and Salim Salim, Secretary General of the Organisation of African Unity, the signatures stated: "Democracy and human rights are of fundamental significance for development." Other countries take a different view as illustrated in the following:

"Only the governments in Japan, South Korea and the Philippines support the promotion of democratic governance and human rights as universal norms, and their support is somewhat mild. All other governments contest these norms. . . . Many [Asian] governments, while critical of human rights, have begun to accept this ideal as a worthy long-term goal. And at the non-governmental level, there is growing political consciousness and increasing support for both democracy and human rights. These values have now become part of the domestic political discourse in several countries and, as the elite are discovering, cannot be excluded by fiat. . . . Asian leaders argue that undue emphasis on democracy and civil liberties can exacerbate domestic conflict and undermine political stability. In their experience, economic growth and law and order were achieved by enlightened authoritarian governments--and democratization, as in Taiwan, South Korea and Thailand, followed economic success and not vice versa. . . . [At present, the international norms for governance in Asia are not pro-democratic. Promotion of democracy in Asia is likely to be more successful if the effort is directed toward strengthening long-term forces that will make democratic principles a durable part of the domestic political discourse rather than demanding quick political transitions. To fortify long-term forces, the West should promote socioeconomic development {provision of food, shelter, health and medical facilities, increasing literacy, education and occupational skills} and help to strengthen civil society. ] If Western democracies can successfully rejuvenate their economies and make substantive progress in addressing their own social problems, then the West’s democratic system, like its capitalist system, will be a more attractive model for emulation."6

The Academic Community

The U.S. academic community has debated the relationship between governance and development over the post World War II period. Early on, a contributor to the debate was Seymour M. Lipset, the noted Sociologist, who maintained:

"Perhaps the most widespread generalization linking political systems to other aspects of society has been that democracy is related to the state of economic development."7
The debate has been long and relatively inconclusive. Most recently, two scholars maintained:

"The notion of economic development as a 'requisite' to democracy (Lipset 1959) has survived increasingly sophisticated statistical tests. . . On balance, it is clear that economic development substantially improves a nation's democratic prospects. However, the full magnitude of that effect depends on the location of the nation in the world system. As the nation moves from the core, to the semiperiphery, to the periphery, however, the effect remains statistically and substantively significant. Thus, around the world, economic development works to foster democracy. Indeed, our results indicate that the relationship works in that direction but not the other. To the extent that this finding holds for nations currently in democratic transition, the implication is that democratic reform by itself cannot be counted on to bring about the needed economic development. However, this is no counsel to dictatorship. Just as clearly, we found that democracy, while not apparently a direct cause of economic development, certainly does it no harm. Moreover, as the lag pattern of the structural model shows, past democratic performance breeds future democratic performance. Democracy, then, can be furthered for its own sake, without sacrificing economic development."
End Notes

1. USAID's Democracy and Governance policy statement makes the following observation:

"For much of the past 45 years, U.S. international relations have largely been focused on containing Soviet expansion. This was often the single most important consideration in American's dealings with other countries."


2. Democracy and Governance, op. cit.

3. Ibid.


6. See Democracy and Governance, op. cit.


8. Memorandum from John Swallow entitled "Gore's Speech to IDB" dated Tuesday, September 27, 1994. The memorandum does not quote Vice President Gore directly. The capital letters are Swallows.


ANNEX C: SELECTED BIBLIOGRAPHY ON DEMOCRACY AND GOVERNANCE

Books


Chapters in Books


Articles


Unpublished Papers


Documents


Memorandum to the Stockholm Initiative on "Joint Responsibility in the Nineties" signed inter alia by President Aylwin of Chile, Zambabwean Minister of Finance Chidzero, former President of Tansania Nyerere and Salim Salim, Secretary General of the Organization for African Unity. No date.


World Bank. Issues of "Governance" in Borrowing Members--The Extent of Their Relevance Under the Bank's Articles of Agreement. Memorandum of the Vice President and General Counsel. December 21, 1990.


Reports to Sponsor


Democratic Governance: A Conceptual Base 54


Speeches


Democratic Governance: A Conceptual Base

**Other Materials**


The Participation Forum. Papers from Sessions No. 1 through 6 (February 17, 1994 - July 21, 1994).


**USAID Project Documents**


ANNEX D: EXTENDED BIBLIOGRAPHY ON DEMOCRACY AND GOVERNANCE

The sources listed below were surfaced by conducting a literature search of two computer files, the Public Affairs Information Service (PAIS) index and the Table of Contents (TOC) index. The search was conducted for the years 1979 to 1994. In addition, the last five years (1990 to 1994) of two professional journals, American Political Science Review or APSR (the journal of the American Political Science Association) and Public Administration Review or PAR (the journal of the American Society for Public Administration), were searched manually. The key phrases used were "democratic governance," "development and governance," "participation and governance," "democracy and development," "democratic theory," "democratization," and "economic liberalization." If an item had in its title or text the key phrase or word, the computer would display the item.

Additional key phrases and words were used to search both PAIS and TOC just to see what would surface. The following table reveals the results.

<table>
<thead>
<tr>
<th>Key Phrase or Word</th>
<th>Number Found in PAIS</th>
<th>Number Found in TOC</th>
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<td>&quot;governance&quot;</td>
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<td>&quot;democratic&quot;</td>
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<tr>
<td>&quot;rule of law&quot;</td>
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<td>225</td>
</tr>
</tbody>
</table>

The source materials which follow are arranged by index and, within each index, by key phrase for PAIS and TOC. Given the relative paucity of materials in both the APSR and PAR, they are presented under the journal.

**PAIS**

**Democratic Governance**


**Development and Governance**


**Participation and Governance**


**Democracy and Development**


"Multinationals, Development and Democracy: An Interview with Harry Geylin (President, Council of the Americas; Conditions in Brazil, Chile, and Nicaragua)." 1980. Multinational Monitor 1:12-16.


DEMOCRATIC GOVERNANCE: A CONCEPTUAL BASE


**Democratic Theory**


**Democratization**


Entelis, John P. 1988. "Algeria Under Chadli: Liberalization Without Democratization or, Perestroika, Yes; Glasnost, No!." Middle East Insight 6:47-64.


Liu, Wen-fu. 1992. "Politics on Taiwan: Democratization and Relations with the Mainland." China Newsletter 2-7+


**Economic Liberalization**


**Economic and Political Liberalization in the Middle East.** 1993. Tauris: St. Martin’s Press.


DEMOCRATIC GOVERNANCE: A CONCEPTUAL BASE


Democratic Governance


Development and Governance


**Decentralization and Governance**


**Participation and Governance**


**Democratic Theory**


**Economic Liberalization**


American Political Science Review


Public Administration Review