van Arkadie, Brian. "Good governance and donors." *Is Good Governance Good for Development?*. Ed. Jomo Kwame Sundaram and Anis Chowdhury. London: Bloomsbury Academic, 2012. 53–70. The United Nations Series on Development. *Bloomsbury Collections*. Web. 26 Apr. 2023. <<http://dx.doi.org/10.5040/9781780932477.ch-003>>.

Downloaded from Bloomsbury Collections, www.bloomsburycollections.com, 26 April 2023, 13:36 UTC.

Copyright © United Nations 2012. You may share this work for non-commercial purposes only, provided you give attribution to the copyright holder and the publisher, and provide a link to the Creative Commons licence.

Chapter 3

Good governance and donors

BRIAN VAN ARKADIE

This chapter discusses some concerns regarding the current widespread use by donors of good governance in their approaches to reform-mongering and to aid conditionality. These include reflections based on experience with policy work over the past 45 years in a wide range of developing and transitional countries. For the purposes of this discussion, governance will be taken to mean the practices guiding the formulation, implementation and oversight of the programmes, policies and activities of organizations, and in particular, governments, and the development of appropriate institutions for effective development.

GOOD GOVERNANCE AS A DEVELOPMENT POLICY THEME

The first question to be addressed is why does governance feature so prominently in contemporary discussions of economic policy? That was not the case 20 years ago – indeed, at that time, the term ‘governance’ was not in common usage in the economic development literature. It might be useful to explore why ‘governance’ has featured so prominently in the economic policy discourse in recent years.

At one level, a cynical view might be that it is largely a matter of fashion. Since the term became a trendy ‘buzzword’, it has been used with little discrimination to mean many things, so that arguably, it has been leached of meaning. It is overused – some times in a rather imprecise and confusing fashion. This is partly because of the holistic, ambitious nature of the concept, encompassing a wide range of aspects of State management and politics. But also, as a cliché, it is often used rather pompously as a synonym for ‘government’ and ‘good government’.

Sometimes 'governance' seems to serve a cosmetic purpose, to dress up traditional subjects in a more attractive contemporary guise (e.g. the study of public administration, or politics) so that the "government" seems to have been replaced by "governance" throughout development literature. In the development literature, it has even had a euphemistic function, providing an umbrella for discussions of delicate issues, such as corruption or the promotion of exotic models of democratic practice.

More usefully, it has been used to address aspects of the political process crucial to development, which were earlier neglected by mainstream economists. Its widespread contemporary use reflects a heightened concern for political and administrative aspects of development and the policy process. Obviously, in many respects, this concern is appropriate and useful.

Another critical factor propelling the intrusion of governance issues into the pure world of the economist was the recognition of the importance of institutions for the effective operation of markets. Probably, many economists working in established market economies neglected the importance of institutions because they implicitly assumed the existence of the institutions conditioning markets in their own economies, without bothering to analyse their origins or functioning. In fact, it is not surprising that the scholarly impetus to study the role of economic institutions came from economic historians.¹

The critical importance of institutions became clear in the context of the transitional economies. When planned economies began the transition to the market, the importance of many institutions became clearer because of their absence. In most developing economies, while the institutions required for effective markets may exist in principle (such as systems of commercial law, secure land tenure, etc.), they may not function adequately in practice.

While markets in economic models are abstractions, in reality, they are institutions, governed by rules and influenced by the behaviour of the various actors. And effective legal institutions are not only a matter of the enactment of laws but also of the administration of the law. The effectiveness of the State in setting up the rules of the game and ensuring their predictable and transparent application emerged as a key, but far from simple, issue. In this sense, effective governance – in the sense of the fashioning and implementation of the 'rules of the game' that provide the context for the market economy – is of crucial importance.

In transitional economies, there was an urgent need for company laws, commercial laws, bankruptcy laws, banking laws and so on. Land tenure arrangements were a crucial factor in rural development, and land

law reform a crucial step in the reform process. The legislative task was enormous. But even more challenging has been the development of all the other components that make legal systems work – the judiciary, the legal profession, a popular understanding of the law.

In transitional economies, a key issue for proponents of reform is the degree to which laws and other public institutions are biased in favour of the public sector – the standard metaphor is to argue for a ‘level playing field’ between private and public sectors. Even more important for the creditability of reform process was the manner in which property rights are created. Property is obviously a key institution in the market, and market reform resulted in and required new patterns of ownership. The way in which property is acquired affects not only efficiency but also the perceived fairness and legitimacy of a market system. It also affects politics; the appearance of crony capitalism and economic mafias often resulted from the use of political power to accumulate illicit wealth by those with political access, and in turn the use of that ill-gotten wealth to influence the political process, but also from the use of corporate resources to secure greater political influence, for example, through public relations, lobbying and so on.

In non-transitional economies, there was not the same need to create a formal institutional fabric from scratch, but similar issues take on crucial importance, particularly in relation to the way the rules of the game are administered. Uncertainty about legal processes, insecure property rights, capricious and arbitrary enforcement of regulations affecting business activities, unpredictable licensing arrangements, ineffective tax administration and corrupt politicians and other officials together create a negative environment for business activity.

In developing economies, governance emerged as a theme following recognition of the constraints on development that can arise from weak government capacity. A stylized (i.e. simplified) outline of the introduction of governance into the development discourse in developing economies implementing structural adjustment reforms could be described as follows. In the era of market-based reforms in the 1980s and early 1990s, the main focus of the economic debate centred around alternative ways market tools could be used to implement effective policies and to explore differing transitional routes from controlled to liberalized economies (e.g. the debates about ‘big bangs’ versus gradualism as transitional routes). The role of government was discussed largely in terms of appropriate economic policies in the sense of market liberalization and maintaining macroeconomic stability. This effectively meant minimizing the role of

government, both in terms of reducing government budgets and reducing government interventions in the economy.²

Economists most committed to market-based solutions saw their main tasks as the advocacy of the efficiency of the market and the promotion of the broadest extension of market solutions. Attention to the government as such largely focused on the need to reduce government expenditure and, in particular, to reduce the size of the 'bloated' public service. Within that context, the political agenda could be seen as very much a matter of limiting the role of government to what it could manage effectively and preventing the government from generating fiscal and monetary instability, and what economists described as 'economic distortions'.

One reason for the introduction of governance as a dimension of the economic reform debate was the increasing recognition that such an approach to policy was not enough. Some issues that required attention related to the political economy of policymaking – factors that determine government commitment to policies are as important as the substantive content of policies. An approach that saw policymaking as mainly being about identifying optimal economic solutions neglected a number of issues central to effective economic policy. This became evident when the initial acceptance of reforms and policy packages was not sustained, where there was no commitment to persist with reforms in the face of setbacks or no effective constituency supporting the reform process. This led to increasing attention being given to the political preconditions necessary for effective reform.

Another factor was that an economic agenda defined largely in terms of dismantling important parts of the State apparatus easily neglected consideration of areas where the role of the State continued to be crucial. Even those who thought that the main task of policy was to unleash the 'magic of the market' had to accept that effective market operations require the State to provide critical inputs needed for markets to be effective, including establishing an appropriate institutional environment and providing a range of services that would not be supplied effectively by the market.

At the early stages of structural adjustment, this was neglected. Fiscal austerity and removal of policies that protected State employees contributed to a severe deterioration in the capacity of governments to deliver even the most basic services. Structural adjustment in its early applications further demoralized the public service, as sharp devaluations and budget tightening drastically reduced the real value of public service salaries, at the same time as many perquisites of office derived from the State also disappeared.³

In a number of countries, an initial impetus to private investment following economic liberalization ran into constraints resulting from poor and deteriorating public services – roads, water and power – while deteriorating educational systems resulted in a decline in the quality of the workforce. In Africa, in particular, the introduction of reforms coincided with a sad decline in the capacity of governments to carry out required tasks. During the pre-reform period, government capacities had eroded as a result of the impact of such external shocks as the oil crises, from the effects of governments trying to do too much, taking on management tasks that overstretched bureaucratic capacity and, as a result of dysfunctional and failed control systems, creating opportunities for corruption that provided income opportunities to public servants, as their real incomes were eroding as a result of economic crisis.

Even if reforms involved a considerable retreat of the State, the State remained a crucial economic actor. Thus, from the late 1980s, there was increasing awareness of the negative consequences of the erosion of government capacity, which generated a range of ‘capacity-building’ initiatives, soon subsumed as activities under the broad rubric of promoting good governance. There is, of course, considerable debate over what the precise role of the State should be, but there is a wide consensus about the need for the State to provide certain critical services – economic infrastructure and investment in human resource development.

Efforts to restore the capacity of government institutions – to raise the efficiency and probity of the public service to effective levels – have been high on the African policy agenda for the past decade and a half. The crucial importance of government capacity for effective development is evident, but difficulties experienced in capacity building have demonstrated the difficulty in achieving progress.

In practice, it proved difficult to use external assistance as a vehicle for promoting government reform. This is, in part, because aid modalities had themselves been a source of erosion of coherent public administration. Faced with weakening administrative capacity, donors were unwilling to fund the public service in general but sought mechanisms to ensure the operation of those bits and pieces of the system that they took to be important or needed for implementing their programmes. This was done by such devices as project management units, special secretariats created to take on key tasks, the use of national consultants on more attractive terms than the civil service and so on. The result was that aid-supported activities became an important source of distortion in the public sector incentive structure and contributed to the demoralization of those officers

not benefiting from donor projects. In those many cases where aid became the major source of development finance, the dysfunctional impact became a serious source of capacity erosion. And aid-supported administrative reform projects have often incorporated precisely those modalities that have disrupted the smooth functioning of civil service incentive systems. Aid dependence became part of the problem, rather than the means to a solution.

At the theoretical level, a revival of belief in the central role of the State responded to increasing recognition of the potential for market failure, weakening the doctrinal foundations of support for the minimalist State. The renewed recognition of the importance of the role of the State was supported by the recognition that a key characteristic of the successful economies of East Asia was that a buoyant private economy was supported by coherent and effective State action, 'the developmental State'.

If government remained central to the development process, 'good governance' could be seen as having a crucial instrumental role in achieving economic development goals. In this respect, 'governance' reflected the concern that government should play its necessary economic role effectively. From that point of view, governance incorporates more traditional approaches to public administration and to the formulation of economic policy, while adding a political economy dimension which explores the political conditions that make for effective policy implementation.

In general, the focus on the many aspects of governance has been useful in deepening understanding of development processes. But it has also provided justification for dysfunctional efforts by donors to interfere in political practice in recipient countries.

DONOR INVOLVEMENT IN THE POLITICAL AFFAIRS OF RECIPIENTS

Many practical aspects of the involvement of donors in the pursuit of good governance are not, in principle, controversial, although they sometimes generate tasks which are, in practice, difficult to implement. Thus, the considerable attention given to the improvement of public financial management and public administration reform of recent years is sensible, although involving expensive and demanding efforts.

However, other components of the donor governance agenda are more controversial. Governance is more than a positivist, value-neutral, technocratic term, as its use typically incorporates strong normative views about expected behaviour and appropriate political institutions.

In the development context, for so-called 'like-minded' donors, it has tended to incorporate a vision of an honest and efficient State, which is both responsive to the public in general through democratic processes and also conscious of and able to implement the macroeconomic and microeconomic requirements for market-based growth. It spills over into specifically political agendas/objectives. In the development discourse, governance has been heavily promoted by donors, not only as a response to perceived limitations in traditional approaches to economic policy but also as a vehicle for promoting a donor political agenda. This provokes a number of questions.

What makes good governance potentially controversial is that in addition to effective government being seen as an *instrument* for the achievement of economic growth objectives, governance concerns are also promoted as *ends* in themselves. The donor community became increasingly assertive in promoting their own social and political ideals as cross-cutting issues motivating their approaches to external assistance.

The distinction was not clear-cut; gender awareness, participation of civil society, decentralization and multiparty democracy were promoted, both as desirable in themselves and as necessary components of a successful growth strategy. Thus, such key governance concerns as anti-corruption were promoted, because corrupt practices were perceived not only as socially objectionable as such but also as barriers to economic progress.

This assertion of goals that incorporate the prevailing values of donor communities is understandable enough, but has obvious dangers. International interventions to deal with conflict situations, prevent genocide, respond to serious civil conflicts and address issues of human rights are all allowed for within the articles governing UN practice, but none of these justify continuing intrusion into the internal political processes of countries as a routine and ongoing activity.

Similarly, the statutes of the Bretton Woods institutions clearly restrict any intervention in the political affairs of members. And as bilateral aid grew in the 1960s, many aid agencies saw their role in supporting development programmes as quite separate from political issues. Of course, in practice, aid portfolios have long been influenced by the strategic and political objectives of donors, particularly in the context of the Cold War, but many supporters of development aid found this invidious.

What seems to have happened in recent years is that proponents of the extended governance agenda do not justify their intervention on strategic or self-interest grounds but as the assertion of values which they claim to

be universal – both in the sense that the appropriate ultimate destination of all societies is defined in terms of the ideals of Western donors and that these ideals can be applied to the current practices of developing countries.

To put the issue bluntly, even if one personally shares these ideals, one can question whether wealthy States have the right to impose these values on poorer countries through development assistance, or whether this is not a form of neocolonialism, a resurrection of the white man's burden of imperial days.

The counter-argument is likely to be that even if the objectives of development aid are restricted to the support of economic growth and poverty alleviation, donor promotion of the broad governance agenda is justified as most governance objectives are portrayed as necessary *means* for achieving accelerated growth and poverty alleviation. How far is that argument evidence based?

IS GOOD GOVERNANCE NECESSARY FOR GROWTH AND POVERTY ALLEVIATION?

In a sense, the identification of good governance as a contributor to growth and poverty alleviation is tautological, insofar as 'good' is defined in terms of the effectiveness of governance in promoting those objectives. However, this leaves open the question of what sort of governance is likely to be effective and, more particularly, how far like-minded governance ideals are likely to coincide with effective governance in that sense.

While the model of the good society informing the good governance discourse is typically left implicit, it seems to involve a vision of a pluralistic society, with formal political processes that are democratic, a public service which operates effectively and honestly, subject to consultative processes engaging organizations representing the various legitimate interests in society and local communities.

Insofar as formal political institutions are concerned, although there is controversy, a coherent body of donor doctrine has emerged about what constitutes proper process – there should be more than one party and political power should be transferred through elections which are free and fair according to emerging international criteria. This is, of course, an attractive vision of the prerequisites for democratic process.

However, such an approach rules out any possible merits of one-party rule, although a number of the development successes of the 1970s, 1980s

and 1990s were implemented under *de jure* (China, Viet Nam) or *de facto* (Singapore, colonial Hong Kong, and until the 1990s, Republic of Korea, Taiwan Province of China and Japan) one-party regimes.

There would obviously be great difficulties with the incorporation of the political governance agenda, as described above, into approaches to development policy if comparative study were to suggest that even if a democratic, pluralistic society is an attractive goal, it may not be very compatible with the requirements for fast growth. In other words, there is no necessary consistency between good political governance as a goal and good economic governance as a means of enhancing growth. The efficacy of governance practice in promoting growth and poverty alleviation cannot be adopted as axiomatic; it has to be established by analysis.

The potential conflict becomes clear when, having encouraged the election of representative government bodies, donors – and particularly the Bretton Woods institutions – find the resulting decisions are not very consistent with ‘good’ economic policy, so that donors quickly find themselves trying to constrain and even bypass electoral institutions through mechanisms of donor conditionality.

The underlying difficulty is that donor political doctrines are more axiomatic than evidence based. Empirical evidence suggests that economic growth and poverty alleviations in poor countries are not very correlated with the degree of multiparty democracy – the distinction seems to be more between autocratic regimes which deliver economic growth and those that do not.

Moreover, if some good governance ideals have often been an outcome – rather than a cause – of economic growth, and if ‘bad governance’ contributes to accelerated growth, then it is logically possible that the eventual achievement of good governance may be furthered by the current ‘bad governance’ practices.

CAN GOOD GOVERNANCE BE EXPORTED?

Some elements of the governance agenda are no more, nor less, transferable than other skills and techniques supplied through technical assistance. In general, technical assistance is not easy, and the record of performance in many areas has been weak, but the transfer of, say, accounting skills required for financial management is not more difficult than transferring medical or engineering skills. However, transferring political institutions brings in other considerations.

Donor fashions in social and political priorities respond to changes in 'public opinion', and the evolution of political thinking in donor countries, rather than specific conditions in recipient countries. Apart from any larger philosophical questions regarding the use of the aid relationship for the promotion of political values, at the very practical level, political ideas, whatever their intrinsic merits, are most likely to take root when they respond to the current needs and balance of forces in the society where they are being planted, rather than reflecting the factors conditioning thinking abroad. Even if goals such as political freedom and gender equality can be defended as universally applicable, their successful pursuit is more likely when initiatives have deep national roots.

Fashions also change, so that one powerful source of exogenous instability affecting policymaking in heavily aid-dependent countries is the unpredictable shifts in donor fashions. This is to be seen in the changing attitudes of donors to poverty programmes. In the early 1970s, propelled by the International Labour Organization's (ILO) World Employment Program and by work in the World Bank by economists such as Hollis Chenery, Mahbub ul Haq and Paul Streeten, 'basic needs' and poverty-focused development became the flavour of the period.

Then, with the oil shocks, economic crisis and the decisive political shifts in the United States and United Kingdom (Reagan and Thatcher), 'structural adjustment', the retreat of the State and belief in the market became the order of the day. During the 1990s, poverty alleviation again becomes the focus of aid agencies. For Third World officials, the changing views of donors are almost as powerful a source of uncertainty as fluctuations in international markets.

The changing donor agenda places strong pressures on fragile political institutions. As countries struggle to make the institutions of multiparty electoral democracy work, a new donor rhetoric gains currency, advocating decentralization, local empowerment and the engagement of 'civil society'.

Given the resources at the disposal of donors, it is also only too easy to create an apparent constituency for the donor reform agenda, for example, through the funding of nongovernmental organizations (NGOs) which are nongovernment only in the sense that they are independent of the national authorities but which, in many cases, are, in effect, donor organizations, the creatures of donor agencies responding to the powerful stimulus of donor funding.

There are also risks of confusion in the proliferation of objectives. Over the past two decades, mixed messages have emerged from the donor community. On the one hand, in the 1980s, recipient governments were

advised, in quite clear terms, that the capacity of government was severely limited, and that therefore, the extent of government intervention in the economy should be severely curtailed. But subsequently, they have been requested to incorporate a whole range of social engineering and political goals, carrying the implication that the State can 'fine-tune' its interventions to achieve quite sophisticated social objectives.

With the introduction of new approaches to governance, there are also instances of confusion of means and ends, even at the project level, so that the actual purpose of development interventions becomes unclear. If decentralization and consultation become ends in themselves, expenditures and interventions can be justified because they promote such activity irrespective of whether they contribute to an intended material outcome.

Insofar as the main objective of consultation is to draw on local knowledge in programme design, consultation has an instrumental role and is justified (or not) insofar as it contributes to the better adjustment of a programme to local conditions and preferences.⁴ However, there seems to be a sense in which consultation is valued irrespective of any instrumental outcome. The emphasis on what, in an earlier age, would have been described as a 'community development' approach has some obvious merits; however, consultation is time consuming, involving real economic costs to participants. Those who participate may do so expecting a material return and may be unpersuaded of the intrinsic merits of meetings. Moreover, the proliferation of governance-related objectives in project design may obscure the appraisal and evaluation of the intended material outcomes.

In pushing for political change, donors sometimes base their advocacy on insufficient evidence and analysis. One donor axiom which seems to have gained widespread currency in recent years is that decentralized development will be more responsive to grass-root needs, and that therefore, political decentralization should be promoted. The merits of decentralization are seen to derive from the premise that local government, being closer to the people, will be more responsive to their needs.

However, difficulties arise from the anodyne vision of society implicit in approaches to decentralization and 'bottom-up' decision-making. Are the local communities presumed to be homogeneous? It is interesting that the donor vision of rural society seems to be of a village community based on equality and shared interest (rather similar to Julius Nyerere's vision of the Ujamaa village), a building block for a democratic participatory process.

An additional axiom of donor thinking seems to be that the more local (decentralized) the decision-making process, the more egalitarian,

participatory, fair and free from corruption it will be. Under some circumstances, this may be true, but there is not a universal or axiomatic case. In practice, local power groups may control local politics, and local government is no more immune to corrupt practice than national-level institutions. It can even be the case that decision-making processes and public resources can be captured by elites and vested interests at the local level even more readily than at the national level, and that local government is as likely to be captured by local interest groups (e.g. landowners, local business people, privileged castes, local party machines) as to reflect grass-roots concerns. The realities of economic inequalities, social differentiation and patron-client political networks seem to be ignored in the appeal to bottom-up, participatory processes.

As decentralization is demanding in the use of personnel and can be fiscally expensive, there needs to be a strong evidence-based case made that it is likely to deliver what is hoped of it in the particular circumstances in which it is being promoted.

In the Poverty Reduction Strategy process, there was a good deal of emphasis on consulting 'civil society' and the 'poor'. All to the good, but who is to define civil society, and who is to be invited to the table?

The desired nature of the consultative processes promoted by donors remains rather unclear. It has led to a shift in emphasis from consultation with elected representatives (making formal political institutions work) to subjecting policies to informal consultations with representatives of concerned groups. There are risks of such donor-sponsored consultative processes becoming a parallel and competing system to the established systems of political accountability through elected political bodies, perhaps problematic at a time when the critical importance of electoral processes is also being promoted.

Moreover, the criteria by which those to be consulted are selected is unclear, subsumed under the nebulous concept of 'civil society'.⁵ Some donor initiatives even involve an effort to buy civil society, by specifically funding civil society organizations. This seems to miss the point that robust autonomous institutions (e.g. trade unions) emerge as a result of pioneers taking risks, not as a simple response to financial incentives.

In many countries, it is NGOs that are identified as representing civil society, but who are in fact representative, and by what processes do they establish their credentials? Many NGOs are largely made up of small groups of middle-class operators, often astute at assessing donor preferences. The truly poor are rarely organized or represented in policy discourse.

Parallel with the emphasis on consulting 'civil society' at the policymaking level, another buzzword was coined with the emphasis of consulting 'stakeholders' in project and programme preparation and implementation. 'Stakeholder' is another popular but ill-defined term in the good governance vocabulary. Project designs include references to procedures to ensure the participation of 'stakeholders' in decision-making, 'bottom-up' approaches, the 'empowerment' of farmers, engagement of civil society and the promotion of decentralization. However, it is surprising that rarely, if at all, is any effort made to identify who are the stakeholders in question.

In an agricultural project, who are the stakeholders? – the farmers, or landlords, or the consumers, or the traders or the processors? When differing stakeholders' interests conflict, how is conflict to be resolved? Insofar as the economic interests of these groups are in conflict, is consultation, rather than competitive market transactions, the appropriate means of resolution?

Insofar as it goes beyond a woolly verbiage, the emphasis on consultation of stakeholders seems to imply two things: that collective decision-making by various interest groups is usually a good thing, and that the interests of the various stakeholders can be reconciled through a consultative process.

Adam Smith, in *The Wealth of Nations*, pointed out how a gathering of interest groups (e.g. traders) was more likely to lead to collusion in favour of particular private interests, rather than promotion of the public good. And it is not difficult to think of instances where the 'stakeholders' are 'rent-seekers'.

Moreover, whereas some conflicts can be resolved through consultation (particularly where there is a positive sum game), economic decisions more typically involve choices between meeting competing interests, which either require resolution through a central allocative mechanism (e.g. the national budget) or through the market. Nevertheless, recognition that implementation of an effective economic policy regime is not solely, or even primarily, a matter of professional economic analysis and design, but also of political commitment, has been useful.

One arena in which that became evident was in relation to the promotion of market-based reforms by the World Bank and the donor community. It became evident, even to donors, that economic analysis, backed by aid conditionality, was not sufficient to ensure effective policy implementation. To carry a difficult package of reforms through, a high level of local commitment was required – there had to be a national constituency to support policies, which could back up the programme and sustain it in the face of opposition. All serious reforms threaten some vested interests, and

in some cases they are perceived to place burdens on the majority of the population. It was not enough to push the bitter medicine down the throats of unenthusiastic national authorities; there also had to be a national basis of support for policies to be effectively implemented and sustained. In the discussion, this was articulated by positing the need for 'national ownership' of policies.

How could national ownership of policies be achieved? This is an issue very much subject to continuing debate. Some have sought the solution in charismatic leadership – a man on a white horse – or, as in East Asia, authoritarian or quasi-authoritarian regimes. In other cases, support is sought from small technocratic elites.

But where political governance comes into its own is through the recognition that the most durable support comes from building a consensus among a sufficient group of interests within the political system. Within a democracy, this is likely to imply building support and understanding in the ruling party as well as among the public at large. However, building consensus in support of change can be equally important in a one-party state. In Viet Nam, a one-party Communist system, an aggressive programme of market reforms was carried through, supported by a consensus crafted by extended discussion, negotiation and careful consensus building within the one-party system.

If policies promote change, there will always be some groups whose interests are threatened. Compromises may be necessary to put together coalitions of interest that see change as consistent with their perceived interests. This is not primarily a matter of 'selling' policies but rather of crafting an effective political process whereby policies are developed. Support is more likely for a policy package that has emerged from a formulation process based in the national decision-making structure, in which the concerns of a potential constituency are addressed, and least likely if the policy package is crafted by external experts.

This has implications for the aid relationship. Over long periods of aid dependence, donors have become accustomed to taking the initiative in defining policies, not only through conditionality mechanisms but also by taking the initiative in identifying, preparing and appraising projects, producing reports defining sectoral policy options and in effect determining the development budget. This process shifts responsibility from national authorities, who can hardly feel responsible or be held accountable for programmes initiated and designed by others. In effect, it has been a process of infantilization, which has drained initiative and responsibility away from national governments.

It is not surprising if the result has been the lack of national ownership of the resulting programmes. Accountability, ownership and responsibility imply control. If programmes are not controlled by the national authorities and, in a fundamental sense, do not emerge from the national decision-making process, then national governance is a sham. And the reality will not be changed by a process of 'consultation', orchestrated and funded by donors, with outcomes largely predetermined by donor priorities.

In this regard, the shift made by donors to budgetary and programme support mechanisms and away from project support was initially intended to provide the basis for greater national control and real decision-making, necessary preconditions for more effective national allocation mechanisms. However, it has had the reverse effect where donors used the shift to programme aid as an occasion for introducing more general policy conditionality to replace the loss of control previously exercised at the project level. Budget support is most likely to contribute to the restoration of national control over development programmes if donors take the gamble of allowing national governments to control the disbursement of the 'pocket money'⁶ they are allocated without the detailed controls incorporated in Performance Assessment Frameworks.

GOOD GOVERNANCE AND EQUITY

A particular sense in which 'good governance' is now seen as more than just an instrument for the achievement of economic policy goals, but even as an end in itself, is in relation to issues of distribution, equity and poverty reduction. A responsive and just system of government is seen as important, both as a social goal and for its instrumental role in promoting an equitable pattern of growth. In particular, it seems to be increasingly recognized that good governance implies a willingness of the State to promote economic equity, and that where necessary, the State should intervene to protect the weak and promote the interests of the poor.

In this, as in other areas of development policy discourse, shifts in conventional views are cyclical, rather than linear. In the 1970s, a good deal of emphasis was given to distributional issues, for example, in the development of the 'basic needs' approach to development policy. Basic needs fell by the wayside with the onset of the robust commitment to the market and the reduction in the role of the State in the era of structural adjustment.

This is not to say that market solutions are necessarily unresponsive to the needs of the poor. Indeed, where systems of intervention and control have

been used to bolster the interests of better off groups, liberalization may benefit the poor. Even much criticized structural adjustment programmes, with their associated devaluations and decontrols, initially shifted the terms of trade in favour of the peasantry in many countries.

The strong case that poverty alleviation and market-led economic growth can go hand in hand draws on the evidence of East Asia, where market-based, export-led strategies resulted in high rates of growth associated with remarkable reductions in poverty. This was true under a range of different political regimes, in Taiwan Province, Singapore and South Korea, as well as the People's Republic of China, and now Viet Nam. However, although that has happened in some cases, the consistency of growth and poverty alleviation may not be the general case, but may require special conditions (e.g. in some societies, the benefits of growth were spread widely following radical land reform and dramatic social change – as in China and Viet Nam).

Before celebrating the East Asian experience as demonstrating the absence of the market-equity dilemma, a number of points should be noted about the characteristics of the East Asian experience in addition to the commitment to market-based, export-led economic growth strategies.

The first relates to initial conditions. The successes generally started with a reasonable degree of rural equality in terms of access to land, whether as a result of communist revolution (China and Viet Nam) or US-sponsored post-war land reforms. Property relations were changed by forceful State action.

Second, all the East Asian successes involved a strong commitment to investment in the human resource development, not only through universal primary education but also through massive investments in higher education.

Third, although quite committed to market-led export growth, the range of tactics adopted in relation to State intervention has been broad and heterodox, ranging from Korean support for big business to Singapore's version of the welfare State, to the continuation of the leading role for a partially reformed State-owned sector in China and Viet Nam. Market yes, but with policies sensitively crafted to reflect national political and economic realities.

All this suggests that in East Asian experiences, there were a wide range of economic governance mechanisms, in the sense of State interventions in the economy. While they differed, they were all responsive to the needs of economic growth and adopted policies which ensured reasonable diffusion of benefits, particularly through education and access to land, throughout society.

There have been other experiences where growth has not been associated with such a broad diffusion of benefits, with negative social consequences, and also, arguably, where unequal patterns of growth have contributed to economic stalemate. This is one possible interpretation of the history of many Latin American countries and looms as an issue in the Indian subcontinent.

CONCLUDING OBSERVATION

One question that now needs to be addressed is whether models of governance now being promoted will make the State more responsive to the potential for broad-based development, or whether it will be another instance of donor rhetoric promoting approaches that fail to root in local realities. The fundamental difficulty for the outsider is to come to terms with political and social realities as they exist and to judge what is appropriate and what is possible given those realities, rather than promoting images of society largely based on an idealized interpretation (typically not very deep) of the experiences of Organisation for Economic Co-operation and Development (OECD) countries.

REFERENCE

World Bank (1981). *Accelerated Development in Sub-Saharan Africa: An Agenda for Action*. Washington DC: World Bank.

This page intentionally left blank