

REPORTS TO THE GOVERNMENT

58

DEVELOPMENT POLICY AND GOOD GOVERNANCE

SUMMARY OF THE 58TH REPORT

The Netherlands Scientific Council for Government Policy was set up on a provisional basis in 1972. It was given a formal legal basis under the Act of Establishment of June 30, 1976. The present term of office runs up to 31 December 2002.

According to the Act of Establishment it is the Council's task to supply in behalf of government policy scientifically sound information on developments which may affect society in the long term and to draw timely attention to likely anomalies and obstacles, define major policy problems and indicate policy alternatives.

The Council draws up its own programme of work, after consultation with the Prime Minister, who also takes cognisance of the Council of Minister's views concerning the proposed programme.

This report was completed under responsibility of the sixth Council (1998-2002), which at that time had the following composition:

Dr. M. Scheltema (chairman)

Dr. J. Bouma

Dr. F.A.G. den Butter

Dr. M.C.E. van Dam-Mieras

Dr. G.A. van der Knaap

Dr. P.L. Meurs

Dr. J.L.M. Pelkmans

Dr. C.J.M. Schuyt

J.C.F. Bletz (executive secretary)

This translation is an extensive summary of the Council's report *Ontwikkelingsbeleid en goed bestuur*, Rapporten aan de Regering no. 58, Den Haag:

Sdu Uitgevers, 2001.

(ISBN 90 1202728)

The address of the Council is:
Scientific Council for Government Policy
2 and 4, Plein 1813
PO box 20004
2500 EA The Hague
The Netherlands
Tel. +31 70 356 4600
Fax +31 70 356 4685
Email info@wrr.nl
Internet <http://www.wrr.nl>

DEVELOPMENT POLICY AND GOOD GOVERNANCE

SUMMARY OF THE 58TH REPORT

CONTENTS

Summary	5
Preface	9
1 Motivation for the report	11
1.1 Introduction	11
1.2 Good governance in international relations	12
1.3 Good governance in development policy	14
1.4 Lack of the theoretical framework for policy	16
1.5 Questions addressed by this report	22
1.6 Approach	23
2 Good governance in bilateral development policy	25
2.1 Policy in neighbouring countries	25
2.2 Dutch policy	27
2.2.1 Concept employed	27
2.2.2 Good governance as the focus	28
2.3 Comments	30
2.4 Conclusions	35
3 Theoretical and empirical foundation	37
3.1 Introduction	37
3.2 Relevant development theories	38
3.3 Empirical findings	46
3.4 Evaluation: the key found?	50
4 Main elements of future policy	55
4.1 Introduction	55
4.2 Underlying principles	56
4.2.1 Importance of good governance	56
4.2.2 Importance of development cooperation for the improvement of governance	57
4.2.3 Conceptual points of departure	60
4.3 Recommendations	62
4.3.1 Increasing the priority at good governance, the rule of law and democracy	62
4.3.2 Doing justice to two-sided interests	63
4.3.3 Strengthening Dutch public interest in bilateral policy	65
4.3.4 Country selection	65
4.3.5 Integrated approach	67
4.3.6 Shaping the relationship: long-term orientation and knowledge management	68
4.3.7 Law and administration as grounds for exclusion	70
4.3.8 Policy as a cumulative process	71
4.4 Conclusion	73
Literature	77

SUMMARY

‘Good governance’ has been placed high on the agenda in development policy, both in the Netherlands and in the policies of international organisations. This important new change is however accompanied by a number of problems: there is a good deal of ambiguity as to what should be understood in this context by ‘good governance’ and what its precise relevance for the development process is. This report is designed to cast light on this area. To this end a number of experts had been asked to examine the relationship between good governance and development. Based in part on the resultant studies and preliminary reports, the Council subsequently formulated its own approach.

The report is based around two key questions:

- Why is good governance of such importance in development cooperation?
- What consequences does this have for Dutch bilateral development policy?

This report is therefore not concerned with development policy in the general sense. Nor is it about good governance as such. The report is confined to the relationship between the two, i.e. between good governance and development policy, and is specifically concerned with the possibilities of conducting such policies in a bilateral context.

The importance of good governance

Financial aid appears to be particularly beneficial in developing countries where there are governmental facilities and policies conducive to economic growth. This is of course an important background consideration for the current emphasis on good governance in development policy. The promotion of good governance does, however, have a wider relevance than just that of increasing prosperity and reducing poverty. The components of good governance, such as the rule of law, human rights, good quality administration and democratisation, may also be regarded as important values in their own right that deserve to be promoted as such. It may also be argued that the western world has an independent interest in a reasonable standard of law and governance elsewhere as countries have become much more exposed in a globalising world to the effects of events elsewhere. The evolving international legal order can only operate effectively if the participating countries have the necessary conditions and facilities to comply with the obligations in question.

Underlying conceptual principles

In relation to ‘good governance’ and ‘development’ the Council has opted in this report for a broad concept of development broken down into a number of sub-aspects. The latter (e.g. good governance, legal certainty, democratisation and also prosperity) in themselves form subordinate goals of development policy. There may also be a mutual interdependence between the sub-aspects, in the sense that progress in one area will also require progress in another. In line with the observa-

tions above, the improvement of the administrative quality in developing countries is therefore both an important role in itself and a means of achieving other development goals.

Consequences for policy

- Shift in emphasis of bilateral policy

The Council's approach does not seek to detract from the general principle that development policy should be to the particular benefit of the poorer countries in the world. The fact that the richest part of the world is concerned about the poorest is an expression of a perceived community of values that deserves support. In this policy of combating poverty, greater emphasis than at present can however be placed on the promotion of law and governance, precisely because the poorer countries are not well equipped to make progress in these areas by themselves. In the view of the Council, bilateral policy, as a complement to the multilateral efforts aimed at the eradication of poverty, should place greater emphasis on the priority of good governance. With its traditional orientation towards the international legal order, the Netherlands is in principle in a position to take this further.

- Doing justice to two sided-interests

The realisation that as a donor country the Netherlands also attaches major importance to development itself implies mutual involvement for the success of aid relationships. This two-sidedness serves to qualify the present emphasis on *ownership*, whereby the recipient country is made responsible for the development strategy, in the sense that, taken to its extreme, the donor country could simply confine itself to the transfer of funds. The acknowledgement of the mutual interest in the success of policy and the expectation that both parties have something to offer one another in the process in question mean that the aid relationship is characterised by *partnership* as well as *ownership* and is also by way of a *transaction*.

- Country selection

The allocation of priority to the promotion of administration and law must percolate through into the country selection, into the interrelationships between the various kinds of aid and into the nature of the Dutch contribution to the development relationship. The selection criterion could be that efforts on the Dutch part hold out the prospect of improvements, as also seen by the recipient countries, or that the improvement of governance is of particular importance for the Netherlands. Logically speaking acknowledgement of the importance of law and administration means that countries should also qualify for aid where the situation in these respects is inadequate but where interesting developments are taking place in terms of the rule of law or from a democratic viewpoint. In taking this view the Council is departing from current policy, where the most intensive aid relationships are confined to countries that already have certain forms of good governance.

- Law and administration as grounds for exclusion?

Once the promotion of law, administration and democracy becomes an independent objective of development assistance, the question of relationships with countries that score poorly in these areas arises by definition. Needless to say the Council is not arguing for official development assistance relationships with the governments of countries where there are excesses in the field of human rights and corruption. Nevertheless caution is in order when it comes to terminating development assistance relationships solely on account of poor governance or failure to respect human rights. In these circumstances a different specification of the aid relationship will generally be preferable.

- Integrated approach

The approach proposed by the Council does not square easily with the distinction currently made in Dutch government policy between aid aimed at improving the system of governance (thematic aid) and aid aimed at the eradication of poverty (sectoral aid). Apart from sectoral good governance aid preference should be given to an approach in which good governance aid is integrated with aid in other sectors regarded as important. The various dimensions of development, such as poverty eradication and law and governance are closely interrelated. The organisational design of policy should therefore also do justice to those interrelationships.

- Preconditions for effectiveness

A necessary precondition for the effectiveness of aid is familiarity with the systems of law and governance in the countries in question, as well as with the historical, geographic, socio-cultural, economic and political context. In the absence of such knowledge, measures should be taken to bring it about. The major importance that the Council attaches to the quality of the aid provided therefore also means that the need for knowledge in the Netherlands may provide grounds for entering into a development assistance relationship with a particular country.

The preconditions for the effectiveness of policy must also be sought in factors that do justice to the long-term nature of the intended processes of change. Once a relationship is entered into it should in principle involve an extended commitment that is given the opportunity to broaden and deepen gradually over time.

- Cumulative policy input

When greater emphasis is placed on law and governance in development policy, this necessarily brings the policy areas of other ministries into play to a greater extent. Greater involvement of the various departments in development policy is important: this facilitates the mutual coordination of policy, the deployment of budgets on a cumulative basis and the assembly of the necessary expertise for the integrated approach outlined above.

- Strengthening the support base

Finally the Council considers that aid directed towards such sensitive areas as the rule of law, human rights, democratisation and governmental organisation gains in credibility the more the donor community itself abides by these norms.

Development policy and especially bilateral aid takes place in a wider context of growing relations between countries and country regions. Decision-making about trade and capital takes place in forums over which the less developed countries have only limited influence but the results of which are critically important for their prospects. Providing the developing countries with a greater say in such decision-making is therefore an important precondition for the contribution that aid can make to development processes.

Arrangement of this report

Chapter 1 of this report sets out the background to and problems addressed by the report. Chapter 2 describes the significance of good governance in the bilateral development policies of the Netherlands and a number of other European countries. It turns out that the dilemmas and ambiguities that may be seen in Dutch policy are also evident in other countries. Chapter 3 discusses the insights available from scientific analyses and empirical research concerning the relationship between development processes and good governance. Finally in Chapter 4 the Council presents its own approach towards the underlying principles for 'good governance and development policy' and indicates the consequences this has for the content and form of such policy.

The second part of the report includes the preliminary reports used by the Council in formulating its views.

PREFACE

This report has been prepared by an internal project group of the WRR chaired by Dr. J. Bouma. In addition the following individuals formed part of the project group when the report was completed: Dr. M. Scheltema (chairman of the Council) and staff members G. Berends, J.C.F. Bletz, I.J. Schoonenboom (project coordinator) and M. Sie Dhian Ho. J.K. Kooijmans participated in the activities of the project group during the initial stage of the project.

The Council has made grateful use of the following studies and preliminary reports that were incorporated in the report to the Dutch government:

- Dr. W. Hout, 'Institutes en ontwikkeling' ('Institutions and Development');
- Dr. P. Hoebink, 'Good Governance als voorwaarde en doel bij enkele Europese donoren' ('Good Governance as a Condition and Goal among selected European donors');
- Dr. L. Emmerij, 'Goed bestuur als voorwaarde voor ontwikkelingshulp?' ('Good Governance as a Precondition for Development Assistance?');
- Dr. E.M.H. Hirsch Ballin, 'Good Governance, internationaal recht en internationale samenwerking; over mogelijkheden voor het van buitenaf verbeteren van binnenlands bestuur' ('Good Governance, International Law and international co-operation; on possibilities for the improvement of public administration from the outside');
- Dr. E. de Kadt, 'Goed bestuur in Afrika; de realiteit in het licht van traditie en geschiedenis' ('Good Governance in Africa; the Reality in the Light of Tradition and History');
- Dr. J.M. Otto, 'Goed bestuur en rechtszekerheid als doelen van ontwikkeling' ('Good Governance and Legal Certainty as Development Goals').

A number of other experts were also consulted during the preparation of the report. The Council is indebted to them for their contributions.

1 MOTIVATION FOR THE REPORT

1.1 INTRODUCTION

Good governance has been placed high on the agenda of development policy in the Netherlands. The Netherlands is not unique in this respect; major value is attached internationally to the existence of good governance as a precondition for effective development policy. This approach raises interesting but also awkward questions. In the first place, the question may be asked as to how acceptable and realistic it is to lay down criteria for public administration in developing countries: acceptable in the sense that the system of governance is closely bound up with the sovereignty of individual states, which is a major factor in the international legal order; and realistic, since it is not possible to lay down the same criteria for each society and it is also by no means certain that the quality of governance can be improved by means of external pressure.

The promotion of and respect for the rule of law and human rights have traditionally played an important role in Dutch foreign policy. The question is whether this amounts to the same thing as ‘good governance’, or whether there is a major difference between the type of good governance that makes effective development policy possible and respect for human rights or the degree of democracy in a society. The studies that have underpinned the policy orientation of the World Bank were primarily concerned with those institutions of importance for sound economic policy. What is regarded as good governance in that context may be assessed differently from the viewpoint of human rights or democracy. Why should good governance be encouraged? Is it a matter of the effectiveness of aid, of combating poverty, of respect for human rights or of facilitating international relations, in which regard the fact that there is good governance elsewhere can be of relevance? It is not certain that each of these objectives can be served in the same way.

This report examines the aforementioned questions against the background of the major importance which the Council too would attach to good governance. The aim in doing so is to provide better insight into the importance of promoting good governance and the possibilities for contributing to that end. Good governance is too an important topic to switch course on account of disappointing success in the short term, as has happened with various policy reforms in the development field. This calls for a more rigorous examination of development policy.

It will be evident that this report is not concerned with development policy in the general sense or with the scope for realising good governance as such. It is concerned with the relationship between development policy and good governance and more specifically with the possibilities at bilateral level.

1.2 GOOD GOVERNANCE IN INTERNATIONAL RELATIONS

Increasing weight has been attached in international relations in recent decades to aspects of what is now known as 'good governance'. This greater weight reflects a number of developments.

In the first place there has since the Universal Declaration of Human Rights in 1948 been an enormous increase in involvement with the way in which individual states treat their citizens. Under the auspices of the United Nations, observers regularly seek to ensure that elections are conducted fairly. It has also become increasingly common for new states not to be recognised until they have democratically elected governments. Countries guilty of the violation of human rights find themselves increasingly confronted by sanctions imposed by the international community. Individuals committing serious offences against humanity – even if they do so in the service of the state – now have less protection against punishment under an international system of norms. The setting up by the United Nations of the Yugoslavia and Rwanda tribunals illustrates that the development of an international legal order in the field of human rights is becoming increasingly significant not just on paper but also in practice.

The number of aspects covered by this legal order has increased substantially since 1948. Civil rights and also social, economic and cultural rights are enshrined in numerous treaties and conventions. In this regard it is not just the United Nations that is a source of opinion formation and international law: groups of countries, such as the Islamic world, the Organization for Economic Cooperation and Development (OECD) and regional organisations in the various continents are also making their contribution in these areas. Membership of the European Union is confined to democracies based on the rule of law, a requirement that has exerted a significant influence on countries in Central and Eastern Europe and the Balkans aspiring to membership. The Organisation for Security and Cooperation in Europe (OSCE) also contributes towards this process. Whereas the 'third basket' decided upon in the Helsinki agreements was initially regarded by the Soviet Union as a relatively innocent concession, the dynamic unleashed by these principles turned out to be a factor in the dissolution of the Soviet empire. Both in the Organization of American States (OAS) and in the OSCE measures have been agreed upon to dissuade regimes from seeking to dismantle democracy in the member states concerned.

All in all this body of law has in the meantime achieved a considerable scope. And although many countries have entered reservations in certain areas and deviant practices are sometimes justified on the basis of 'individual values', there are very few states that have not formally accepted the relevant treaties and conventions.

In the second place the end of the Cold War has had the effect of increasing the focus in both national and international relations on aspects of good governance

related to the way in which the government functions. Democracy, the rule of law and reliable government are the key words in this regard. With the disappearance of communism as the antithesis to democracy under the rule of law the West was also relieved of the temptation to close its eyes to the misdeeds of autocratic regimes forming part of the Western camp. In a more indirect sense the fall of the Berlin Wall strengthened globalisation trends, which in turn have had a bearing on the system of national administration. With the breakdown in ideological barriers the sphere of operation for transnational companies has been greatly extended. Private investments in parts of the developing world have increased sharply, thereby giving the commercial sector an interest in a certain level of governance in these new markets. Conversely the developing countries also saw that this private capital was contributing to their economic development, thereby increasing their willingness to make changes in and improve the quality of their administration and policies. The greater role of private capital in developing countries has not been without its effects on the position of the International Monetary Fund (IMF) and the World Bank. The loss of institutional weight formed an inducement for them to assign extra weight to factors – including administrative factors – conducive to the success of their loans to and investments in developing countries.

In the third place globalisation has brought the necessity of international treaties in numerous areas. Anti-crime programmes, the promotion of international economic activities and the protection of the environment are examples of fields in which intensive worldwide cooperation has become increasingly necessary. Such cooperation does however presuppose the existence in each country of a system of national administration that is capable of effectively complying with such international obligations in the country in question. Seen in this light good governance in each individual country in the sense of effective administration becomes a precondition for effective international co-operation.

A fourth development ties in with the debate in Western countries concerning the position of government in society. The crisis in the welfare states in the 1980s necessitated a review of the relationship between the state and society. Supported by neoliberalism, the role of the government was initially scaled down, but since then the attention has shifted more towards the positive influence that governments can exert on the preconditions for effective market forces, social cohesion, democracy and the rule of law in society. Their ‘rediscovering of government’ did not mean the reconstruction of what had been dismantled but a reorientation of policy. Both the movement aimed at the withdrawal of government and that re-emphasising the importance of state institutions have in common that they place the effectiveness of government action at the centre. This also applies when it comes to the disbursement of development funds.

Not only has the role of government changed but other actors are also emerging in international relations. States are not the only ones to play a role in this regard. Apart from transnational trade and industry there has also been a growth in a transnational civil society in which many non-governmental organisations (NGOs)

and numerous international institutions take part. Some of these organisations are exerting pressure on domestic governments to comply with the requirements of good governance. Governments seeking to attract and retain international economic activity within their own territory are confronted by a series of requirements, some in relation to law and administration and others in relation to substantive policies. These demands no longer just concern macro-economic policy and the protection of property rights. In this situation of growing global competition the importance of the micro-economic situation, such as the quality of the hard and the soft infrastructure, is also increasing (Porter 1999: 37).

The transnational movements that have emerged over the past decade articulate highly divergent wishes. Some are resisting economic globalisation while others concentrate especially on democracy, human rights and openness. This transnational 'civil society' is becoming increasingly vocal in every country and is helping to ensure that components of good governance, such as the rule of law and human rights, remain on the international agenda. This also applies to the conduct of the international and multilateral institutions themselves. The fact that the Millennium Round of the World Trade Organisation (WTO) in Seattle had to be suspended in response to the protests of all sorts of groupings provides an example of this, as does the earlier failure of the OECD to arrive at an acceptable multilateral agreement for investments. Some of the contestants said in these cases that they wished to stand up for the rights and interests of poorer countries and poorer groups of society in those countries in respect of international trade and investment. However many-headed and mutually conflicting these movements may be, this indicates that the development of the international legal order and also the nature of international relations have steadily become less of a matter for legal, political and governmental professional practitioners alone. Public opinion, influenced by information technology and the mass media, is increasingly exerting influence by means of all sorts of organisational forms.

The developments outlined above certainly affect international relations and serve to qualify the notion that the system of public administration is a matter for the exclusive authority of a sovereign country. In this way the nature of governance has increasingly come to form part of the 'grammar' with which states address one another and are addressed by non-state groupings.

1.3 GOOD GOVERNANCE IN DEVELOPMENT POLICY

The increased interest in good governance in developing policy needs to be viewed against the background of the changes outlined above. Where countries have an active concern with the quality of the policies and administration in other countries and those standards are regarded as important for development, these considerations are bound to be reflected in the conditions imposed on aid, or alternatively a helping hand will be lent to countries falling short in this regard. Contributing towards the improvement of policy and governance has accordingly gained in weight in both multilateral and bilateral assistance.

For a proper understanding of this renewed attention to administrative factors it is necessary to examine the role of the World Bank. Although improvements in the governance of developing countries have been supported for some time, thinking on this question went into a higher gear at the Bank some ten years ago. In part, this was in response to the disappointing results of the structural adjustment programmes imposed by multilateral donors during the 1980s in return for new loans. Experience showed that this formula of healthy macro-economic policy and the sharp cutbacks in spending that this required were not bringing about the desired economic development by themselves. This led to the 'discovery' of efficient, accountable government. The higher priority attached thereafter by the World Bank to good governance – also for institutional reasons – was rapidly followed up. The IMF adopted Guidelines for Good Governance, which were incorporated into the conditions under which the IMF is prepared to grant loans. While the 'Integrated Framework for Trade-Related Technical Assistance' agreed in 1997 concentrates on international trade with the least developed countries it also provides room for human and institutional capacity building. The IMF, UNCTAD, the World Bank and WTO have all committed themselves to this.

The emphasis also extends to areas of policy other than the economy. With regard to international measures to combat crime, for example, UN funds are available to increase the expertise of developing countries in this field.

The change in approach by the World Bank is consistent with the shift in attitude towards the role of government. Good economic development requires effective government agencies to monitor the conditions for economic activity and ensure the proper functioning of markets. The World Bank extended this line of reasoning to the field of development policy. In its publication *Assessing Aid: what works, what doesn't and why?* this was formulated as follows:

Effective donor agencies need to create internal mechanisms and incentives that foster selectivity and that focus large-scale finance on developing countries with good policies. In countries with poor policies, donors need to be more patient and accept that the best assistance may involve activities that do not result in much disbursement. (World Bank 1998: 117)

This approach has been worked out further in recent years. Under the HIPC (Heavily Indebted Poor Countries) initiative of the IMF and World Bank the governments of countries wishing to qualify for debt relief and loans are invited to draw up a Poverty Reduction Strategy Paper (PRSP). Good policies are based around the notion of ownership: if financial assistance from outside is to be effectively deployed, the governments in question must feel responsible themselves for reducing poverty in their countries. The PRSPs must satisfy numerous conditions: they must be drawn up in a participatory process in which civil society is also involved, they must systematically analyse the nature of poverty in the country in question and they must indicate priority areas of policy where the greatest impact on poverty reduction can be achieved, including a possible strengthening of the institutions required for that purpose.

The Netherlands has also seriously taken up the issue of good governance as a new focus in development co-operation. The present minister for Development Co-operation has conformed much more explicitly with the recommendations of the World Bank than was done previously; the present policy is also closely based on the PRSP approach. In addition the new approach incorporates long-standing existing policies aimed at strengthening the democratic content of governance and the rule of law. The same may also be seen at international level, as evidenced by the intentions of the European Commission with regard to the appropriate development philosophy and the agreement concluded last year by the Union in Cotonou with the ACP countries (African, Caribbean and Pacific) as a successor to the Lomé conventions. This all-embracing agreement, which is aimed at the establishment of free-trade zones, demands respect by the ACP countries for human rights, democratic principles and the rule of law and also introduce the principle of good governance (Schrijver 2000b). In the Development Assistance Committee (DAC), in which the most important bilateral donors seek to co-ordinate their policies, the OECD also attaches importance to good governance, ranging from the fight against corruption to the observance of human rights.

1.4 LACK OF THE THEORETICAL FRAMEWORK FOR POLICY

In view of the above it may be said that the good-governance philosophy is sweeping through the institutions. At the same time this is raising many related questions of a conceptual, normative and empirical nature.

Ambiguity concerning the good governance concept

The concept of 'good governance' is used in differing meanings in the discussion about the relationship of good governance and development. The resultant ambiguity means that doubt is sometimes even cast on the usability of the concept. It was seen in section 1.2 that good governance has many fathers and that it therefore covers a multitude of aspects. It is a product of many different forms of thought: 'the triumph of Western democracy', neo-liberalism, the human rights movement, the international legal order and the rediscovery in politics and scholarship of institutions and, as such, embraces a mixture of ideological, idealistic and functional thinking. The various discourses are not always distinguished in practice. Although it is frequently and readily used the meaning of the concept in relation to development is by no means self-evident. The consensus to which reference is made for the sake of convenience can therefore prove elusive in practice. An important source of confusion is that insufficient distinction is drawn between good governance as a necessary precondition for development, and the desirability of good governance and policies as an intrinsic aspect of development.

Public administration aspects as preconditions for development

When good governance is referred to as a significant precondition for development, reference is in fact being made to empiricism. The changing development philosophy of the World Bank discussed above is based in part on the research of Burnside and Dollar. This specifically concerns the question as to which adminis-

trative features are conducive to development. The concern here is therefore with good governance in a functional sense. This will be designated below as good governance in the ‘narrow sense’. In their influential study *Aid, Policies, and Growth* (1997), Burnside and Dollar conclude that financial aid on a significant scale only has a positive impact on economic growth in those developing countries in which there are not just institutions supportive of the market but also sound fiscal, monetary and especially trade policies. The research sought to help explain why the results of structural adjustment programmes often disappoint. Burnside and Dollar’s findings do not nullify the approach to these kinds of programmes but do result in their amendment. Where economic policies are poor, the importation of conditions in respect of these programmes proves incapable of eliciting better policies; in these circumstances aid does not have any positive effect on economic growth. But where there is good governance and policy in the ‘narrow’ sense, the message was that a ‘reward’ in the form of aid does indeed result in higher growth. The research also devoted attention to the quality of market-supporting institutions, the presence of which is again positively correlated with the growth of GNP.

Human rights, the rule of law and democracy did not form part of Burnside and Dollar’s research. Nevertheless good governance is frequently related in the development debate to these features as a precondition for development. As will be made clear in the next chapter, this also applies to the Netherlands. In doing so, however, a much wider meaning is assigned to good governance than justified by these insights into the functional relationships between components of good governance and development (‘good governance in the broad sense’).

What do we mean by development?

The definition given by Burnside and Dollar to ‘development’ is equally important for the interpretation of their findings. Their definition concerns the growth in GNP in a country but not its distribution. It therefore concerns the average prosperity, which does not say anything about the position of the poorer sections of society or their standard of living in a broader sense (‘welfare’), as reflected in health status and level of education. Given the widespread experience that financial aid primarily benefits a narrow upper stratum, these are not insignificant limitations in the research. Now average per capita income is by no means an unimportant statistic in development policy: donors select poor countries for aid, for which average income is the yardstick. But under the post-Washington consensus, as this is currently manifesting itself in the aforementioned PRSP strategy, direct poverty reduction has recently been attracting greater attention again. This places the focus on the empirical question: what components of governance are important in order to reduce the absolute and relative poverty in poor countries?

This question is examined in more detail in a recent study by the World Bank (Dollar and Kraay 2000). This research concerns economic development over the past 40 years in a large number of countries, including developing countries. The definition of ‘development’ differs from that in the study previously referred to and also relates to poverty reduction. The concept of good governance is

broadened in this study to include democratic structures as well. Education and health policy are treated as possible causes of a reduction in poverty. The importance of the previously identified preconditions for average GNP growth – property rights, fiscal discipline, macro stability and trade openness – are reconfirmed by the study. The latest finding is however that average GNP growth also benefits the poor and in the same proportion, and furthermore that this relationship has not changed as a result of the recent globalisation of the world economy. The relationship appears robust; it applies also to a negative growth in average GNP. The economic growth generated by the aforementioned conditions turns out directly to increase the income of the poor. As regards the macro-economic conditions it is vital for the poor that inflation be avoided, as this bears particularly on them. Widespread participation in primary education has a positive effect on macro growth but does not demonstrably lead to the improved distribution of income. The presence of formal democratic structures does not result in higher growth or different distribution effects; the same applies to health spending. The rule of law in the limited sense of the protection of property rights proves conducive to per capita GNP growth but does not have any additional effect on income distribution.

Insofar as this latest study points to possibilities other than financial aid and interprets development other than just as GNP growth, its findings raise many questions. The authors themselves regret the lack of knowledge of the systemic causes of changes in income distribution and consequently in an important element of poverty reduction as one of the main objectives of development policy. At the same time it does deal with issues that are highly controversial in a political sense and to which many debates concerning the importance of freer world trade (WTO) and the missions of the IMF, World Bank and UNDP may be traced back. The study remains unclear as to whether structural initiatives aimed more directly at the poor lead to better or worse results. Aghion et al. (1999) calculate on theoretical and empirical grounds that it is highly important for developing countries, with their generally imperfect capital markets, to sustain the reduction in income inequality, in the longer term, not just in order to reduce such differentials as such but also for economic growth. To this it may be added that Dollar and Kraay's approach concentrates heavily on the role of macro-institutions of importance for the expansion and consolidation of the formal economy. Developing countries, however, are notable in particular for the high share of the informal economy. It is by no means inconceivable that poverty reduction would have a greater chance of success if, as a complement to the above approach, efforts were focussed on upgrading the informal economy and eventually formalising it by removing all sorts of obstacles, e.g. by making credit facilities available for small entrepreneurs (De Soto 1989 and 2000). In setting out their new policies the IMF and World Bank are by no means dogmatic about the best path towards poverty reduction. In substantiating their policies they indicate that a great deal of work remains to be done to improve insight into the multi-dimensional nature of poverty and its determinants in the relationship between economic growth and poverty reduction. The new policy is therefore largely by way of learning by doing (IMF and IDA 1999).

Relationship between concepts of good governance and development

Apart from the numerous empirical uncertainties surrounding the new findings of the World Bank, the latter illustrate the need for a clear policy theory on development and the resultant consequences of those aspects of government administration that need to be in place or on which aid should focus. The two studies indicate a shift in the aim – from average GNP growth to a reduction in poverty – that can have consequences for the aspects of governance that may be regarded as functional to this end and so qualify for the specification of criteria for aid.

The results of the second survey also call for clarity concerning the question as to which elements of good governance should be an independent objective of development policy, irrespective of their instrumental significance for (for example) an increase in prosperity in the limited sense. If democracy, human rights and the rule of law in the broad sense do not in fact have a significant influence on the reduction of poverty and income inequality, does the rationale for improving the standard of these dimensions disappear? Or must these characteristics be viewed as dimensions of development in their own right apart from the reduction of poverty in the world? The summary in section 1.2 strengthens the impression that the concept of ‘development’ has itself been greatly broadened out and has assumed a normative significance going well beyond an increase in prosperity as the aim of development co-operation. If – to over-simplify – the instrumental importance of good governance was central in what was termed the ‘Washington consensus’, the same applies to the present and still vulnerable ‘post-Washington consensus’, in which poverty reduction has been taken as the primary goal. In ‘New York’, however, it is the intrinsic importance of good governance that is emphasised. The *Human Development Report 2000* of the United Nations, for example, states that ‘development’ and ‘human rights’ are two sides of the same coin. Although these have followed different paths in the past, both conceptually and in terms of aid practice there has been a convergence in recent times (UNDP 2000: 2). The report argues that poverty reduction must therefore not just be regarded as a development goal, but also as a matter of human rights. Equally civil and political rights are essential for the empowerment of the poor and for them to realise their social, economic and cultural rights. From this viewpoint the question concerning the functional relationship between the components of good governance and economic development, which is regarded as central by the World Bank, is not without importance. But if it should turn out that human rights, democracy and the rule of law do not have any empirical link with increases in prosperity or poverty reduction, the UN report does not regard this as a reason for neglecting to promote the elements of good governance, as these are aspects of the human development ideal. ‘Development’ then becomes a multi-dimensional normative concept which can be classed as including the provision of political rights and freedoms and adequate protection, in addition to increasing prosperity, reducing poverty and improving safety, health and education standards.

If ‘good policy and governance in the broad sense’ are regarded as an independent dimension of development and hence an objective of development policy, this then

raises different issues than if good governance were the concern 'just' on account of its instrumental importance for economic development. This point is all the more cogent since efforts to make countries address the subject of good governance – either as a precondition or as a more general subject in international relations – would appear to be based on the assumption that a country is able to opt in favour of good governance or otherwise. The situation is not however as simple as that. Good governance requires the formation of appropriate institutions and the accumulation of professional know-how. If a country lacks a political culture on this score it will generally be unable to bring about change without intensive external assistance. Even with such assistance it will always be a protracted and laborious process.

Normative antitheses with regard to the concept of good governance

Even if the political theory in question provides clarity as to whether good governance should be regarded as instrumental for or an intrinsic aspect of development, the substance with which this is accorded is not divorced from ideological positions. It is not a self-evident guideline for development policy, and there are major differences of opinion in practice. The old conflicts concerning the role of the state and the market have, for example, not yet disappeared. Neo-liberal formulas and those inspired by, for example, the current 'Third Way' are in practice diametrically opposed. Even if one were agreed as to the components that should form part of good governance this contrast would still have its effect on what were regarded as significant preconditions for development or the relevant goals to be adopted for developing countries. When it comes to promoting respect for human rights and especially political rights and civil freedoms, are we concerned with economic or, rather, social goals? Advocates of economic liberalisation and the withdrawal of the state often find themselves ranged against others who regard good governance as a means of political liberalisation, democratisation and accountability of the political leadership. In practice, such conflicts work through into development co-operation; where for example American advisors advocate solutions based on the existing socio-legal model in their country, European advisors will be more likely to opt for solutions providing for a stronger role for government, administrative law and distributive aspects.

These conflicts concerning good governance among donors themselves may also be discerned between donors and recipients. Trade liberalisation is designed to create the conditions for fair competition. But how should a level playing field be understood when the production processes differ so radically between North and South? Global summits accordingly consistently run into disagreement on such matters as environmental protection and conditions of employment (e.g. child labour). In addition there are major differences between North and South concerning cultural issues such as the relationship between politics and religion and the relationship between men and women and the individual and society. Such differences in principle have implications for the implementation in practice of democracy, the rule of law, human rights, the relationship between the government and citizens and the desirable content of law and policies in various areas. In terms of

development policy practice it is therefore highly important for there to be clarity concerning what can actually be achieved in terms of good governance in a particular situation. Given the enormous differences in context the illusion needs to be avoided that there is a linear development path towards a universally valid model of good governance.

Possibilities for administrative improvement through development co-operation

The conclusion in section 1.2 that good governance increasingly forms part of the grammar of international relations should not be regarded as an indicator for spectacular improvements in global administrative practice. The agenda and practice do not coincide. The international activism in the sphere of human rights, democracy, the rule of law and fighting corruption must be viewed against the background of the sovereignty of the national state. Although forms of global governance are evolving, the nation-states continue to be the dominant actors in international relations and sovereignty is at best being given up grudgingly. Power and national interests have by no means ceased to be factors in international relations.

Development assistance is generally concerned with young states for which sovereignty is particularly important. Demands imposed on the public administration and policies of these countries, or aid designed to improve these areas, run into the fact that these are characteristics intimately bound up with the internal balance of power and which go to the heart of national sovereignty. *A priori* it needs therefore to be borne in mind that the imposition of such conditions on development assistance is likely to encounter no more than limited receptiveness. This is illustrated by the aforementioned agreement between the European Union and the ACP countries: the inclusion of good governance as an important principle by the Union ran into stiff resistance among the ACP countries (Schrijver 2000b:9).

If there is one subject where allowance has to be made for extremely lengthy time-frames and processes of falling down and getting up again, this necessarily applies to processes such as the building up of democracy and the rule of law. This is due not just to the lack of goodwill but also to capacity. An aspiration to increase the level of democracy will have little chance of success in a country lacking the necessary consensus and structural conditions. The question therefore arises as to what the external influence – in the form of preconditions or development assistance in these areas – is capable of if the necessary preconditions do not as yet exist in the country in question. Or to put matters differently, under what conditions does such aid stand a chance of success?

Development assistance is to some extent a matter of paradox. In order to sustain the willingness of donors to provide funds it is important to demonstrate that the aid helps. Similarly the policy changes that have been made by an aid-minded country such as the Netherlands, have by and large been prompted by the necessity to maintain public support for its policies. The presence of good governance has been designated an important precondition for the effectiveness of development assistance and has therefore become a key focus. At the same time, however, these

achievements – where they exist – are highly fragile, their consolidation is necessarily drawn out and there are bound to be periodic relapses. Any ‘impatience for democracy’ that seeks to turn good governance into a point of reference will consequently find itself tested to the limit.

1.5 QUESTIONS ADDRESSED BY THIS REPORT

Given the central place that ‘good governance’ has been given in development policy the Council considered it worth devoting a concise report to the subject of ‘development policy and good governance’. The key questions addressed by this report are:

- On the basis of what considerations is good governance important in the context of development co-operation?
- How should this affect the shaping of Dutch bilateral development policy?

In order to answer these questions a survey will be provided in Chapter 2 of the way in which the Netherlands and neighbouring countries give content and shape to good governance in their bilateral development policies. This will show that the existence of good governance is often laid down as a condition for entering into an aid relationship but that it is also regarded as a goal of development assistance. In both cases it is not always clear what is meant by good governance; the concept has a wealth of meanings.

Chapter 3 examines the present state of knowledge concerning the relationship between good governance and development. Is it for example correct that good governance enhances the effectiveness of aid, so that greater success can be obtained with poverty reduction? Is it possible to promote good governance by making this a precondition for aid or are efforts specifically directed to good governance more effective? It will be concluded that answers are by no means always possible; the links are complex and have not yet been sufficiently researched.

Chapter 4 returns to the initial question: why – in the light of the available knowledge – is good governance important for development policy? This involves making choices: on what normative principles should policy be based? These principles are then used in order to work out the relevant consequences for the shaping of policy.

As indicated above, the question is confined to the implications for the shaping of good governance policy in the framework of bilateral Dutch development policy. Many equally as relevant aspects consequently fall outside the scope of this report, such as the role of international organisations in the improvement of governance or Dutch policy towards multilateral organisations in general. Nor are such questions examined as the debt problem or the relationship between development co-operation and other policies, such as trade policy, European policy and security policy. These are not left undiscussed because they are unimportant; given the present debate about the Bretton Woods institutions and the interrelationships between

the development policy of the European Union and other policies they are very far from that. Although each of these issues warrants an independent study in its own right, it has been decided here to concentrate on the subject of ‘good governance and development policy’ as this has become such a strong structuring principle in present day bilateral policy. In the opinion of the Council the subject is of sufficient weight to contribute towards a strengthening of the theoretical policy foundation.

1.6 APPROACH

By way of preparation for this report the Council submitted various questions concerning the subject of ‘development policy and good governance’ to a number of experts. In part this concerned questions of a factual nature and in part the gathering of recommendations on the possible formulation of policy with regard to good governance as a selection criterion or as an objective of development policy. The contributions of these experts have been incorporated in the Dutch report to the government. This translated version only refers to those contributions, which concern the following studies:

- 1 Dr. W. Hout: ‘Instituten en ontwikkeling’ (‘Institutions and development’).
This study explores theoretical foundations of various components of good governance and the empirical relations between good governance and development.
- 2 Dr. P. Hoebink: ‘*Good governance* als voorwaarde en doel bij enkele Europese donoren’ (‘Good governance as a precondition and goal among selected European donors’).
This study is concerned with the way in which various countries have given form and content to good governance in their bilateral policies and the question as to whether lessons can be drawn from this experience for the Netherlands.
- 3 Dr. L. Emmerij: ‘Goed bestuur als voorwaarde voor ontwikkelshulp?’ (‘Good governance as a precondition for development assistance?’).
This preliminary report examines the relevance of good governance as a precondition against the background of a set of policy instruments designed to guide the globalising economy along the right lines.
- 4 Dr. E.M.H. Hirsch Ballin: ‘*Good governance*, internationaal recht en internationale samenwerking; over mogelijkheden voor het van buitenaf verbeteren van binnenlands bestuur’ (‘Good governance, international law and international co-operation; concerning possibilities for the improvement of governance from the outside’).
This paper examines the possibilities for improving governance, e.g. through international law.
- 5 Dr. E. de Kadt: ‘Goed bestuur in Afrika; de realiteit in het licht van traditie en geschiedenis’ (‘Good governance in Africa; the reality in the light of tradition and history’).
This study analyses the importance of and possibilities for good governance as a goal in the reality of Africa.
- 6 Dr. J.M. Otto: ‘Goed bestuur en rechtszekerheid als doelen van ontwikkeling’ (‘Good governance and legal certainty as development goals’).

This preliminary report explores the conditions under which good governance can be a meaningful goal of development policy.

Many of the development concepts in these studies underlie this report. Taken as a whole they raise many issues concerning the possibilities and impossibilities of making good governance a precondition for or an objective of development policy. They not only serve to temper exaggerated optimism when it comes to achieving rapid and spectacular results but also provide better insight into the conditions under which the components of governance can indeed contribute to development. Although by no means all the questions posed above can be answered, the Council considers that many of the insights put forward by the authors in question can contribute to further policy development. They have therefore been published together with the report to the Dutch government.

2 GOOD GOVERNANCE IN BILATERAL DEVELOPMENT POLICY

2.1 POLICY IN NEIGHBOURING COUNTRIES

As noted in the previous chapter, good governance is also being heavily emphasised in bilateral development policy at the present time. The comparative survey conducted by Hoebink (2001) into policy development in a number of other European countries indicates that here too the concept of good governance is very broadly defined at a conceptual level. Development assistance consequently covers nearly all of society, as evidenced by the actors and institutions – ranging from government to groups within civil society – which now qualify for some form of aid. The dimensions currently being worked on by means of aid, advice or the setting of conditions are now so all-encompassing that development assistance appears more than ever to have become a ‘civilisation mission’ – equally as the concept itself has become taboo.

Although all the countries examined by Hoebink (2001) have a very broad definition of governance – albeit under varying names – there are differences in emphasis. Hoebink distinguishes three approaches:

- a a ‘technocratic’ approach, in which the attention focuses on the functioning of state institutions: good supervision, efficient production of services, minimisation of corruption, the leanest possible government apparatus;
- b a human rights and democracy approach: a good legal system, multi-party system, freedom of the press, freedom of organisation and so on; and
- c good governance as a means of poverty reduction: emphasis on those state organs of greatest importance for combating poverty, as well as on participation by the poor in these bodies or in the policies of those bodies.

The concept of good governance that is employed is related to the nature of the development being pursued.

The ‘technocratic approach’ – or more precisely statist approach – corresponds most closely with the approach previously put forward by the World Bank, in which ‘development’ relates to economic growth as such. In the second approach ‘development’ is closely identified with the approach designated in Chapter 1 as the ‘New York’ strategy, while the last form of ‘development’ focuses much more clearly on the direct combating of poverty and therefore corresponds with the current direction of the World Bank.

The Scandinavian countries place greater emphasis on human rights and democracy, the UK stresses those elements of good governance deemed to be of importance for combating poverty, while for France the ‘technocratic’ approach is paramount.

In none of the countries investigated, however, is the development of policy of good governance without problems. Despite the differences in emphasis, Hoebink

notes comparable areas of dispute. In the UK, where the contribution to combating poverty takes primacy, this relates among other things to the role of human rights, in the sense that support for human rights, such as freedom of expression, need not always or directly contribute towards a reduction of poverty. In the Scandinavian countries, where priority is accorded to democracy and human rights, the debate centres on the priority that should be given to socio-economic or civil rights. Finally in France the place that should be assigned to democracy and human rights is the subject of controversy, along with the changes in governance that are regarded as key for economic development. The confusion noted in Chapter 1 between the vision in which good governance is regarded as instrumental for raising living standards and combating poverty and that in which the components of good governance are themselves regarded as objectives of the development to be pursued also plays a role in these countries.

Taken as a whole there turns out to be little evidence in the countries examined of a well thought out policy philosophy with regard to good governance and development. The choice of priorities has not been sufficiently substantiated, the underlying principles are not sufficiently reflected in the correlation between the object of aid and development, the nature of the instruments has not been properly worked out and the country choice is inadequately motivated. According to Hoebink (2001) the situation remains consistent with the earlier observation of Moore and Robinson (1994) that there are five problems in the use of good governance in development assistance: too many definitions, confusing definitions, inconsistency in implementation, unreliability of foreign pressure and an unbalanced policy agenda in which political conditionality is linked to a shrinking aid flow. The foundation of knowledge on which this policy is based also remains too limited: major ambiguity remains both in respect of the effect of political conditionality and the extent to which politics and governance can be changed by external aid. Hoebink suggests that the priorities selected for each country accordingly reflect the visions of the donor towards the donor's own state and democratisation much more than they do any positive knowledge of the changes that development is designed to achieve. In those cases where policy is guided primarily by the visions and interests of donors themselves – albeit rationalised in terms of development objectives – it is not surprising that trade policy and political-strategic considerations remain important, even where actual administrative developments in aid-receiving countries might lead one to suspect otherwise given the verbal importance attached to good governance. This donor-orientation is also reflected in the fact that only a few donors are guided in the selection of countries for development assistance by their good governance philosophy. And where this has been the case the countries that have been excluded from aid have been those carrying comparatively less economic or political weight.

Hoebink's material consequently creates a picture of policy renewal that has so far not been worked out with any great thoroughness or consistency and the prime result of which has been that a greater number of actors and aspects have qualified for aid and advice than hitherto. Despite the differences in emphasis between

countries it remains difficult to discern priorities. Support for trade unions, women's groups, human rights organisations, the training of police, judges and journalists, support for municipalities, combating corruption, institution building of all kinds (courts of audit, parliaments and the press, etc), observation at elections and so on: the objective of good governance now extends far beyond the financial/economic framework and the technical assistance of the early periods of development cooperation. It may also be said that the claims of the developed countries on developing countries have increased greatly in terms of range and intensity and that it may be assumed that these can be realised by means of a comprehensive institutional engineering approach (Stewart and O'Sullivan 1998, quoted by De Kadt (2001)).

2.2 DUTCH POLICY

2.2.1 CONCEPT EMPLOYED

The Netherlands has incorporated an all-embracing concept of good governance into its policy to a greater extent than have neighbouring countries. This applies to both good policy and good administration. 'Good policy' relates to social and macro-economic policy and structural economic policy, the evaluation of which is based on that of the multilateral organisations. 'Good administration' refers to the integrity of the government machinery, the proper management of public funds and democratic supervision thereof (including anti-corruption programmes), respect for human rights, the rule of law and the democratisation of society. The evaluation of these factors is based on the trend-based development in the countries concerned in these areas. According to the policy documents there are four key aspects, summarised by Otto (2001) under the Dutch acronym PRET: participatory, lawful, effective and transparent.

'Participatory government' indicates government in which the population takes part. According to the various policy documents this should be understood as: in dialogue with the population, strengthening of parliamentary democracy, support for non-governmental organisations and the free press, increasing the participation of women and devolution. It is indicative of democratisation and empowerment. 'Lawful government' similarly needs to be interpreted broadly. According to Hoebink (2001) it is not just a matter of lawfulness but also of legal certainty and justice. In this way this dimension relates to a clearer division of the functions of the various state powers, the promotion of the rule of law and high-quality implementation of state affairs. The promotion of the independence of the judiciary and consultation and complaints procedures also forms part of this dimension. 'Effective government' relates to the effective and efficient use of public funds: clear laws and regulations, good financial reporting and control and regulation of the financial sector. 'Transparency' refers to publicly accountable administration. Sound financial management, combating corruption, a reasonable capacity of the three powers of government, openness of administration, independent supervision of government finances and freedom of the press are all important desirabilities in this regard.

2.2.2 GOOD GOVERNANCE AS THE FOCUS

The Netherlands seeks systematically to implement the concept of good governance as the focus of development policy. The main objective is the sustainable reduction of poverty. 'Good governance' plays a role in this regard in two ways: as a criterion for the selection of countries and as an independent objective. The bilateral sectoral programme is aimed at a number of countries that satisfy good governance criteria. In addition there are a number of thematic programmes, including one in which the improvement of the quality of government is an independent objective. Different countries qualify for these thematic programmes than for the sectoral programme.

Good governance as a precondition for sectoral aid

The emphasis of bilateral policy is on the sectoral programme. In principle a long-term relationship is entered into with the countries selected for sectoral aid and the aid offered is more substantial than that for the thematic programmes. For the 21 countries selected in 1999 average aid of 84 million guilders a year was envisaged for 2000. As noted, the main objective of this programme is the sustained reduction of poverty, for which an increase in average prosperity is regarded as a necessary condition. The success of the aid provided is measured in terms of a large number of development indicators in social and economic areas. According to a letter sent by the Dutch Minister for Development Cooperation to the Lower House on 26 February 1999, the overarching objective means that in principle structural bilateral aid is extended only to countries in which per capita income in 1997 was below 925 dollars. The aim is also not just to promote the growth of prosperity within the selected countries as far as possible but also for this to benefit the poorer elements of society (Lower House 1999a). The income norm has been taken from the World Bank, which does not provide any soft loans to countries with a higher per capita income. Of those countries meeting this criterion, countries have been selected for aid in which there is good governance, in the sense of satisfying the criteria for policy and quality of administration.

The number of countries to which aid is provided has been substantially reduced. This has been based on considerations of both efficiency and effectiveness. Conducting efficient aid relations with a very large number of countries ran into major management problems. In addition the number of countries was reduced under the drive to make aid more effective, under pressure from the growing demand in the Netherlands for result-based budgeting. This tied in with the finding of Burnside and Dollar quoted in Chapter 1 that aid is only effective where there are good policy and sound administration. In terms of this notion the reduction was in fact heavily influenced by the existence or absence of good governance in the broad sense employed by the Ministry.

In the countries selected for sectoral aid the number of sectors to which aid is extended has also been reduced (to a maximum of four). In principle the sectors are selected by the recipient governments. This ties in with the new course adopted by

the multilateral institutions known as the Comprehensive Development Framework and as elaborated in the Poverty Reduction Strategy Papers. As noted in the previous chapter, this places much greater emphasis than before on the importance of ownership. An elementary precondition for the effectiveness of aid is that the recipient country should feel that it is the 'owner' of the problem. It must therefore take responsibility itself for the poverty-relief strategy and the allocation of the aid for that purpose, as well as for the coordination between donors. Entirely in the spirit of this approach the Dutch government has devolved the responsibility for working out the details of the aid relationship and the consultation with the governments and donors to the embassies on the spot.

Essentially therefore the contribution is confined to the provision of financial assistance. As a result of the limitation introduced by the Netherlands the number of sectors qualifying for assistance largely relates to the economy, education, health care and rural development. This does not rule out administrative assistance; in these cases the concern is particularly with strengthening institutions of relevance for the selected sectors. The governments of aid-recipient countries can also define administrative institutions as a sector. A number have indeed done so, namely Bolivia (participation and devolution), Uganda (the legal sector), Tanzania (local government), Indonesia (good governance) and South Africa (local government and justice). These governments are however required themselves to designate the requirement for aid as a priority in combating poverty.

Good governance as objective

Apart from the sectoral programme there are also thematic programmes:

- 1 the environmental programme,
- 2 the private sector programme, and
- 3 the programme for good governance, human rights and peace-building (Dutch acronym GMV).

Under the latter programme aid is extended to countries that do not yet have good governance. The GMV list covers 13 countries to which 15.5 million guilders was provided on average in 2000 (Lower House 1999b). The income limit for the GMV programme is higher than that for the sectoral programme, namely 2000 dollars. The aid for the countries selected for this programme is explicitly directed to strengthening the administrative capacity and preventing and resolving armed conflicts; sectoral aid, for example in the field of agriculture or health care, is not provided. Such aid may relate to a wide range of topics: lawfulness, transparency and effectiveness of government administration, participation by the population in government administration, help with elections and so on. The ownership approach does not apply to the thematic programmes as the object of the assistance has already been predefined in a general sense.

The co-financing programme contributes along indirect lines to the social conditions for good governance. This concerns a substantial element – 12 percent – of the budget for development cooperation. With the support of NGOs operating in developing countries a contribution is made to the development of the civil society

as an important social condition for democratisation and to greater attention by the authorities to human rights and the rule of law. Needless to say however this support concerns private organisations, i.e. organisations that are free to select countries and set priorities as they see fit.

2.3 COMMENTS

Good governance: gap between theory and practice

The concept of good governance employed in Dutch policy is wide-ranging, apart from which the concept is used in both a functional and a normative sense.

The explanation of the concept of good governance leaves wide room for interpretation and the various aspects of good governance (PRET) can be dealt with in highly divergent ways. It does for example make a considerable difference as to whether by participation is merely understood 'in dialogue with the population' or if this is understood to include the necessary existence of formal structures of representation and decision-making procedures. But apart from the varying content given to each of these four aspects, it is not particularly difficult to recognise in this concept the values surrounding public administration that are regarded as achievements in the Netherlands and also as assignments in terms of which the country's own system of governance must permanently be assessed. The observation by Hoebink (2001) that the national political culture of the countries surrounding the Netherlands is reflected in the objectives of their development policy therefore also applies to the Netherlands itself.

When confronted with all these desirabilities, developing countries will only occasionally approximate the requirements of good governance. Given the absence of priority-setting at conceptual level, it will be exceptionally difficult to determine in the practice of development cooperation on what the concrete activities should concentrate. Measured in terms of the overall ambition the resources that donors are able to deploy naturally fall greatly short of the target and it will therefore be necessary to make do with no more than limited operational goals. Measured in terms of the concept, the willingness to change in the aid-recipient country will also be limited: a motivation for transformation of a breadth and depth as seen in Central and Eastern Europe since the coming down of the Berlin Wall is a rarity. As a guideline for the actual work the concept therefore serves only a limited function. In this regard Otto (2001) notes the need for a more thoroughly worked out policy theory establishing the link between the assumptions in question concerning the goals, means and effects in the light of the available empirical data of a general nature and concretised in terms of the context of the countries in which the policy is to be implemented. Precisely when it comes to improving public administration Otto notes major shortcomings in this regard, not only as regards the underpinning of Dutch policy but also as regards multilateral policy.

Linked to the difficulties of operationalisation is the fundamental question as to whether the desiderata linked to the western, developed situation lend themselves as they stand to application in countries with a different context. Otto quotes the

Netherlands Antilles as an example of how difficult it is to arrive at sustainable change, even where there is in principle substantial scope for external influence. In his contribution for this report De Kadt (2001) refers to numerous examples of well-intentioned efforts to introduce devolution and democratisation in Africa along Western lines. These initiatives have run fast, have been effortlessly 'translated' into the existing and persistent structures, have resulted in solutions that formally complied with Western standards but most decidedly failed to bring about improvement in material terms or have even had disastrous consequences because old, cohesive structures were broken down. As will be shown in the next chapter, De Kadt is by no means a cultural relativist. He does however warn against the previously cited 'institutional engineering approach', which tends to be blind to the historically determined possibilities for change in developing countries. Thus he suggests with considerable hesitation that political solutions aimed at power-sharing as a precondition for consensus-building are more compatible with the African context than the modes of representative democracy and parliamentary multi-party systems familiar in the West – a position with which the West used not to be unduly uncomfortable. In this regard he quotes the example of Uganda, while Somalia may now also be added. In these countries the concern is with bringing together parties that are the most strongly opposed and – without any electoral mandate – helping them to reach consensus concerning a joint government. This model cannot however be derived from the good governance concepts in the broad sense to be found in the West. Rather than sticking with the concept De Kadt accordingly argues that at the least the concept should be broken down into its component parts and applied along specialist lines in policy terms. For preference De Kadt would in fact like to see the concept of good governance, in which administration, democracy and good policies' are so closely intertwined, dropped from the development lexicon.

Emmerij (2001) goes less far, but does place distinct question marks against the current popularity of the concept. Not only is the relationship of the various key elements of the broad concept of good governance and economic development highly questionable but, according to him, this also necessarily involves interference in foreign countries with a different political culture, different morals and customs and a different culture as such.

Finally Otto (2001) warns against the transplantation of Western law without sufficient insight into the conditions in which it is required to function. He does not however go as far as the previously mentioned authors of preliminary reports.

Precisely in order to prevent good governance from remaining a passing fashion it is necessary for there to be a better underpinning and elaboration in the aforementioned sense. At present there is a large gap between the constellation of abstract goals and the operational activities. This needs to be bridged, by taking much closer account both of what should be understood by development in concrete situations and the role that elements of governance are deemed to play in this regard and of the conditions within which this can and must be realised. This is examined in more detail in Chapter 4.

Good governance as a selection criterion: broad or narrow

As noted above, the emphasis on good governance in Dutch policy as a criterion for the selection of countries for sectoral aid ties in with the finding of Burnside and Dollar that financial aid is only effective where there are already good policy and governance. In Chapter 1 it was made clear that this finding relates to those components and institutions of good governance and policy that may be regarded as having instrumental importance for economic development. In the study in question, good physical, monetary and trade policies turned out to be particularly important conditions for the success of financial aid. In Dutch policy 'good policy' does indeed relate to macroeconomic policy – in addition to social and economic structural policy – but good governance is broadly interpreted; see the elements which according to section 2.2.1 come under the PRET concept. The explicit starting point of Dutch policy is therefore that apart from the characteristics identified by Burnside and Dollar there must also be respect for human rights, democracy and the rule of law if aid is to flourish. The aid must therefore be concentrated on countries where these features are already present.

In theory this broad definition of good governance as a precondition for the selection of countries raises the question of an additional empirical basis for Dutch policy. In practice, however, there is according to Hoebink (2001) a conflict with the broad underlying principles on paper, and the selection of countries is heavily based on the countries identified by Burnside and Dollar as having good governance in the narrow sense. The state of good governance in the broad sense, however, in the selected countries then becomes relevant, in that countries with good macro-economic policies and institutions supportive of the market need not stand out in terms of human rights, the rule of law and democracy as well. Where the countries selected for Dutch aid are in the lowest income category the quality of administration and policy will generally need to be designated as weak. As posited by Gros and Suhrcke (1999) there is a strong empirical relationship between the level of development (GNP) and institutional quality. Some institutions will undoubtedly function more effectively and others less effectively in one country than in another, but broadly speaking the quality will be highly moderate and far removed from what would be regarded as good governance by Western standards. Instead of 'good' or 'bad', the practice in the selected countries will need to be viewed in shades of grey.

This is confirmed by more detailed research conducted by Hout for this report. On the basis of available international research Hout compared the governmental characteristics of the countries selected by the Netherlands for sectoral aid with the administrative characteristics of the countries excluded from such aid on the basis of those characteristics, as well as those of the larger group of other countries with an average income of less than 925 dollars in 1997 (Hout 2000). This latter category therefore comprises the population of countries that also qualified for structural aid on the basis of the income criterion. In accordance with the findings of the World Bank, the selected countries do indeed turn out to have more market-friendly policies and institutions than the rejected countries or the other poor

countries. Measured in terms of other components of good governance, namely political rights and civil freedoms, the extent to which citizens are able to exert influence on the selection of their government, political stability, the quality and effectiveness of public services, corruption and the rule of law – i.e. components all coming under the Dutch selection criterion for good governance – the selected countries do not stand out favourably from the rejected countries in a statistically significant sense. Broadly speaking this also applies to the comparison with the other poor countries which, in principle, qualified for selection. With respect to the rule of law the selected countries in fact scored somewhat higher. In this regard it does however need to be borne in mind that the rule of law here relates primarily to the degree of legal protection of property, private contracts and contracts with the government, etc. This is more consistent with the finding reached concerning the market-friendliness of the selected countries but does not tell us much about the quality of the legal protection of human rights in a more general sense.

All this confirms that in practice the selection has in fact been based more on the narrow than on the broad definition of good governance. Contrary to suggestions, it is not possible to talk of good governance in the aforementioned broad sense in the countries concerned, i.e. good governance including democracy, human rights, the rule of law and absence of corruption; they do not stand out positively from the countries excluded from aid. The Dutch conception of good governance is concerned with a broad constellation of independent objectives; when it comes to the selection of countries in practice, good governance is applied in a functional sense on the basis of available empirical insights. Given this characteristic, the conceptual confusion surrounding good governance noted in Chapter 1 would therefore also appear to afflict Dutch policy.

This does raise the question as to whether the existence of good governance in the narrow sense should indeed be decisive for the selection of countries with which a structural bilateral relationship is maintained in order to combat poverty and also promote human rights and democracy. If the broad concept of good governance accepted in policy were to be more decisive in actual policy, it could equally as well be argued that precisely those countries should qualify for substantial and long-term aid where promising developments are underway from the viewpoint of democracy or human rights, even if their economic institutions do not satisfy the relevant yardsticks. By giving priority to reducing poverty in these countries it might be possible to consolidate the as yet tender shoots of democracy and the rule of law. Although the assumption at present appears to be that improvements in living standards and the reduction in poverty must necessarily precede democracy and the rule of law, the relationship could also be different.

Given the wide variety of development goals, the yardstick employed in the selection of countries is not therefore unproblematical. The further development of a policy theory – as called for by Otto (2001) – in which greater clarity is provided concerning the relationship between the objectives and the empirical links of a causal and final nature would make the problem of choice more transparent. In this

regard Dutch policy has to some extent made life easy for itself by linking up closely with the new approach of the IMF and the World Bank. In theory the ownership approach discharges donors from the obligation of basing the allocation of the funds on their own attitudes and perceptions. If the responsibility for finding the path to poverty reduction is displaced on to the recipient countries, there remains in principle only a financial link; in these circumstances the Netherlands need no longer ask itself whether the sectors selected for aid do in fact represent the best path to the set goals. The sector-wide approach that has been adopted does not rule out the need to strengthen the institutions of importance for the functioning of the selected sectors. At the same time, however, it is evident that the governments of recipient countries will not rapidly elevate human rights and democratisation as a priority in their development. In practice, therefore, institutional aid forms only a very limited part of total sectoral aid.

Although the criteria formulated by the World Bank for the Poverty Reduction Strategy papers partly parallel the Dutch objectives with respect to good governance, this nevertheless has the consequence that the Dutch input in the development relationship in question is less determined by the country's own views. The multilateral strategy and the dominant role of ownership within that strategy have now become decisive. This raises the question as to the separate rationale of a bilateral policy. If both the selection of countries and the allocation of funds are now largely left in practice to multilateral institutions and the recipient countries, it might be even more effective for the sums in question to be disbursed directly by the World Bank and other institutions. This would also be consonant with the interest that the Dutch government attaches to the multilateral channel – although it could be at variance with foreign policy considerations, namely the wish to maintain relations with specific countries. But that concerns a different argument from the desire to realise certain good governance and development objectives. Precisely in this case too the question arises as to the specific motivations for a bilateral development policy in relation to foreign policy.

Good governance as an objective

The thematic programmes provide the Netherlands with greater opportunities to help shape and direct good governance along the lines desired. If one examines the countries that have been selected for the GMV programme, such as Rwanda, Cambodia or Honduras, it takes little imagination to appreciate the scale of the task required. For the most part countries have been selected that shortly before were the theatre of war (civil or otherwise). Clearly, the aid in these cases will be aimed at the basic conditions of administration. Instead of trying to bring about good governance, the aim at this point cannot go beyond achieving a certain degree of governability as such. The decision to concentrate the GMV programme entirely on the other end of the spectrum of candidates for good governance aid also discharges the policy to some extent from the need to seek some form of foundation in a policy theory. This kind of aid may be compared with emergency aid: it is concerned first and foremost with the basic conditions of government administration; the quality ('good' governance) is less important at this stage. That this work will

be primarily a question of feeling one's way in a situation of total disruption is self-evident. In addition these are also countries where – in the words of De Kadt (2001) – the process of state formation has not been completed. In this situation, putting in place basic governmental institutions will often come up against the fact that the balance of domestic political forces has still to crystallise out; a return to the status quo ante will rarely be at issue. It is therefore exceptionally difficult to bring about lasting solutions with foreign aid. In addition these are generally countries that are suffering from severe poverty, a collapsed or destroyed production capacity and health problems, etc. The question therefore arises whether precisely in such cases the development assistance should not relate to areas other than those addressed by the GMV programme, for example poverty reduction. Once again the question arises as to the precise yardstick for the selection of countries. Peace-building among nations or the prevention of warlike situations call for a regional orientation rather than, as at present, involvement with individual countries.

The gap between sectoral and thematic aid

From the viewpoint of good governance the division of bilateral policy into sectoral and thematic programmes therefore raises many questions. The countries selected for the sectoral programme satisfy the requirements of good governance in the narrow sense but exhibit major shortcomings in respect of the other components of good governance, whereas the development assistance is not concerned with those areas. The countries in the GMV programme receive aid targeted on peace building and building up basic administrative capacity; they do not, or no longer, qualify however for sectoral aid, for which they have an equally great need. Positioned somewhere in between are many countries in a situation that is somewhat more stable than that in the GMV countries but less stable than that in the sectoral countries. These are countries in which the various components of governance call for improvement and which would also benefit from external aid. As it stands, however, this category now falls between two stools.

2.4 CONCLUSIONS

It may be concluded that the implementation of the good governance concept in broad terms raises fundamental questions of both an empirical and a normative nature concerning the shape that such policies should take. In the first place there is the relationship between the components of this concept and development, including poverty reduction, which is also regarded by the Netherlands as the primary goal of development co-operation. In this regard the policy in both neighbouring countries and the Netherlands exhibits major ambiguities. In part this is an empirical question, as the selection of countries and improvement of administrative characteristics is justified by an appeal to the functionality for development. This is discussed in the next chapter.

Good governance as a goal is of course also partly concerned with empirical questions, although on account of the still highly experimental nature of this branch of development policy there is as yet no question of cumulative insights from the

micro-evaluations that have been conducted. But where democracy, human rights and the like are regarded under this policy as worth pursuing, many questions of a highly normative nature arise here too. In both roles good governance raises the question as to the choice of countries qualifying for aid and the form that aid policy should take. These subjects are returned to in the final chapter.

3 THEORETICAL AND EMPIRICAL FOUNDATION

3.1 INTRODUCTION

Reference has been made in the preceding chapters to the linguistic confusion concerning the concept of good governance and development. This relates in particular to the question as to whether good governance should be regarded as instrumental for or an independent objective of development. If the concept is employed in the former sense the approach then rests on an empirical foundation and the question arises as to which components of the concept are or are not conducive to development. If in the broader sense democracy, human rights and the rule of law are regarded as independent objectives of development policy, the approach becomes more normative. This approach does not in principle rest on empirical relationships but on an ideal concerning human development. Both positions are recognisable in Dutch development policy. Of relevance in both cases is the extent to which policies and institutions can be put in place or encouraged by means of help from outside – in the form of development assistance – that are of importance in themselves or for economic growth and combating poverty.

Various theoretical and empirical questions may therefore be posed. The first is whether the components of good governance in the broad sense are in fact correlated with development and what the nature of that causality is. If for example there is a relationship between democracy and economic development this does not necessarily mean that democratisation results in economic growth, since economic development could also be a precondition for democratisation. The second question is whether there are any theoretical or empirical indications suggesting that good governance lends itself to ‘constructivism’: is it possible for governmental institutions to be purposefully brought into being with assistance from outside or is their development primarily an ‘endogenous’ growth process?

In answering these questions use has been made in particular of the survey of relevant theories and research drawn up by Hout (2001) for this report. The question concerning the instrumental importance of good governance for development is at the forefront of consideration. The second question is much more difficult to answer on the basis of the available material; only indirect indications will be provided by way of a response. The systematic efforts to improve the political and administrative situation in developing countries with the aid of conditionalities or aid specifically directed to this may have generated a considerable amount of case-based information but – as Hoebink (2001) indicates – no systematic cross-national survey has as yet been conducted on which to base generalisations. The survey by Hout (2001) concentrates especially on quantitative cross-national research and seeks specifically to generate information transcending individual case studies. The empirical findings are grouped into politico-administrative categories: political regime, political instability, socio-economic institutions and policy content. This classification does not entirely correspond with the categories employed in

the political debate about good governance in the broad sense. That debate concerns human rights, the rule of law and democracy, participation, administrative transparency and accountability – i.e. sometimes larger or more specific and sometimes also other phenomena than covered by the research terms. It is possible to do no more than draw attention to this; research terms and policy terms simply do not always coincide.

A similar warning applies to the different use of the concept of ‘development’ in policy and research. The conceptual significance attached to good governance is not detached from that for which it is deemed to be of importance. It will be clear that there is a link between the political and administrative characteristics that are identified as being crucial for development and the definition employed of ‘development’: wide or narrow. If development is defined as ‘just’ growth in per capita GNP those elements of governance will be deemed to be important that promote this, such as well-regulated property rights, anti-corruption measures, economic freedom and export-oriented policies. If by contrast development is understood as human development (e.g. reduction of poverty, infant mortality and illiteracy) other elements of governance and policy will be regarded as vital. The same applies to the even wider interpretation under which democracy, human rights and the rule of law are also regarded as development dimensions. In the discussion of theories and research findings in the sections below, an indication will therefore be provided of the particular meanings in question when it comes to establishing the link between good governance and development.

3.2 RELEVANT DEVELOPMENT THEORIES

Institutional theories

The research by Burnside and Dollar, which has played such an important role in the change in course of the World Bank’s development policy, found its theoretical inspiration in the new institutional economics. This branch of science formed a reaction and supplement to neo-classical theory, which is based around the co-ordination of the economic system by means of the market and price mechanism. Under the neo-classical approach markets reach equilibrium because the players operating in those markets co-ordinate their decisions with one another; the price is the mechanism establishing that equilibrium. The theory is solely concerned with the functioning of markets; the existence of institutions is not taken into consideration.

The new institutional economics explicitly focuses on the assumptions on which neo-classical theory is based, such as perfect information, rational economic behaviour and cost-free transactions (Hazeu 2000: 33-34). In reality the contracting parties never have all the relevant information; the costs of obtaining such information can be too high. As a result the price is never a full information-carrier and contracts are not complete. In the words of North: “when it is costly to transact, institutions matter.” The institutional economics sees the benefit of institutions particularly in terms of the transaction costs. Institutions matter in an

economic sense as they can reduce the costs of gathering the information required for entering into economic transactions. This already starts with property rights and all the institutions that have been set up in this connection in order to establish, check and enforce those rights.

In the new institutional economics the main concern is with those institutions that are of direct importance for the functioning of markets: legislation and rules for entry to and exit from markets, supervision of market behaviour and so on. But in terms of this approach all possible institutions – including government institutions – can in fact be accounted for that reduce transaction costs in the shorter or longer term. This even applies to democracy and the protection of human rights.

As North (1995: 25) states: “While economic growth can occur in the short run with autocratic regimes, long-run economic growth entails the development of the rule of law and the protection of civil and political freedoms.” The argument here is that individuals and enterprises will only be prepared to invest if they have confidence in the future. Investments yielding a return in the future will only come about if the institutional environment in question provides guarantees. A state under the rule of law, the resultant protection of contractual and property rights and the absence of disruptive market factors contribute towards such confidence. Similarly democracy, as a more consensual system of decision-making, promotes the climate of certainty and stability needed for investment. Rodrik (2000: 23) for example argues that it is precisely on this account that democracies rather than autocracies generate more predictable long-term growth rates and generates greater stability in the short term, absorb negative shocks more effectively and result in a less skewed distribution of income.

The theoretical insight that the importance of good governance in the broad sense has for the reduction of transaction costs is regarded in practice as a foundation for development policy aimed at the establishment of institutions. North himself, however, is highly reticent on this subject. As Hout indicates, North derives the relationship between the rule of law and prosperity from the history of the West. This does not however mean that this Western example can be taken as a model for developing countries and development co-operation. According to North institutions are in large measure ‘path-dependent’; they came into being in a specific setting and, partly as a result of established interests, are difficult to change in a particular institutional framework. The well-known historico-sociological study by Putnam (1993) about administrative reform in Italy provides an empirical illustration of this path dependence. Putnam indicated just how much a long established institutional structure and a culture in which this is embedded – which he termed ‘civil society’ – and the roots of which may be traced back a millennium continue to determine the successfulness of a recent process of radical devolution. Putnam draws a distinction between a strong and a weak civil society. The former is characterised by exchange relationships on the basis of generalised reciprocity. This involves the confidence that a service will result in the future in a counter service. It is also closely related to a dense and diversified network of all kinds of secondary autonomous forms of interest organisations, divergent visions and a

lively public debate. A weak civil society, by contrast, is characterised by suspicion, manifesting itself in exchange relationships on the basis of specific, direct reciprocity: a service must be immediately matched by a counter service. This type of civil society is associated with patterns of co-operation that are largely limited to family relations, systems of patronage and clientelism and strong hierarchical relationships. Devolution worked much more successfully in regions with a traditionally strong civil society than in regions where it was weak. This applied not just to effective and responsive administration but also to economic development.

These findings underline the emphasis placed by North on path-dependence and his warning against linear assumptions concerning growth paths. The observations that prosperity in the West has been coupled with the development of a wide range of institutions does not therefore necessarily mean that these institutions can be readily put in place or that – assuming this happens by means of development co-operation – this will provide a sufficient condition for growth. The resilience of existing institutions in developing countries may be illustrated by all sorts of examples, as can the fact that newly formed institutions can remain artefacts. By contrast the example of Japan and the Asian Tigers indicates that the Western administrative/institutional constellation cannot be regarded as a necessary condition for economic development either; a different institutional structure in these countries has not impeded economic development.

To sum up, the new institutional theory concentrates heavily on the role of (governmental) institutions for the effective functioning of markets. The theory is not confined to formal and near-market institutions but extends in principle to numerous other formal and informal institutions, values and norms as elements which, taken as a whole, provide the basis of confidence on which transactions can flourish. It cannot however be regarded as a transformation theory, nor can any predictions be derived concerning the economic consequences of the conscious construction of certain institutions; nor does it provide a general frame of reference for the order in which matters should be tackled, and so on. Nor does the theory differentiate when it comes to the varying definitions of good governance noted above.

Theoretical approaches are also used politically. The new institutional theory has in part been responsible for a reaction to the previously dominant political and economic climate – again with theoretical foundations – in which the withdrawal of government from the economic process was regarded as an important precondition for economic growth. The Western export of ‘institution-building’ practices is firmly based on this theory. In practice the situation in the West is generally taken as the norm: democracy, the rule of law, good institutions in a more limited sense and good policies are considered to be important for development processes and development policy (see for example Linz and Stepan 1996). To what extent these hypotheses are supported will need to be shown empirically. This is discussed in the next section. At the same time it is clear that on account of the path-dependence of change processes there is no particular optimism that the establishment of

the new institutions deemed to be important can be influenced from the outside to any marked extent and/or rapidly.

Modernisation theories

Whereas institutional theory is primarily concerned with analysing the functional links between institutions and the market, modernisation theories emphasise historical processes of transformation. As argued by Hout (2001), the point of departure is that societies are on a path from tradition to modernity. Modernisation may be understood as an ongoing process of structural differentiation and functional specialisation. In this regard the situation in the West is regarded as 'modern' and therefore as a reference point in various respects towards which other countries are headed by means of all sorts of catching up processes. The field of development co-operation has, traditionally, been permeated by the notion of modernisation. This is also reflected in the terminology: there are 'developed' countries and 'developing countries', or 'less developed' countries. There is a lead and a gap, connected by a straight line; by catching up it is possible to close the gap, either gradually or by leap-frogging. In recent times, however, this notion of convergence has been increasingly contested, particularly when it comes to the economy. Assuming there to be a process of convergence between countries at all, this is more discernible within groups of countries with corresponding structural characteristics than between these groups. Within individual countries, similarly, the convergence between regions is again by no means the automatic process that neo-classical equilibrium theory might lead one to believe: regional growth patterns differ widely. The new endogenous growth theory and the geographical economy throw greater light on factors responsible for the lack of regional convergence or even heightened divergence, such as the spatially highly unequal distribution of technological innovation and the dynamics of human capital (Martin and Sunley 1998). Similarly from the perspective of chaos theory question marks are placed against economic convergence in a geographical sense as the automatic result of ongoing modernisation. This emphasises the extent to which the emergence of a region may depend on accidental factors – factors that cannot therefore be systematically derived from initial conditions. Evidently the existence of factors that are regarded as conducive to growth are by no means always enough to lead to such growth. Chance plays a bigger role in determining whether growth gets off the ground than commonly thought. Similarly, a sudden take-off can take place even in the absence of propitious circumstances (Boschma and Van der Knaap 1999). These insights act as a warning against undue optimism when it comes to the prospects of the Third World to catch up. In part they also warn against undue pessimism: even where ostensibly favourable conditions may be lacking, a sudden improvement may take place.

Modernisation theories are based on the assumption that there is a more or less coercive mechanism pushing developments in the one direction, for example in the form of a succession of stages, as in Rostow's old theory (1960). The motor of modernisation is often regarded as science and technology and the resultant economic development. The division of labour, change in production relationships

and rising level of education inherent in that process in turn jointly result in a change in the balance of power. This theory too has many manifestations, once again deriving from various scientific disciplines and with both optimistic and pessimistic variants. A common feature of the more optimistic modernisation theories is that the complex of factors responsible for economic development and increases in prosperity in the broad sense (i.e. including health, level of education and all kinds of basic facilities) is deemed to be coupled with or to result in democracy and newer, more developed forms of governance.

In summary, many theories come down to the fact that structural differentiation and specialisation result in the fragmentation of interest groups each with their own distinctive base in society. Citizens have many roles and form part of many interest groups. This is then translated into the promotion of interests at national level. Seen in this light, the process of modernisation is an irresistible process of ongoing differentiation and interdependence from which countries can withdraw only with considerable difficulty, as the motive factors do not respect any boundaries. In contemporary variants the ICT-fed globalising economy is regarded as the locomotive, ultimately carrying along political and administrative complexes in its slipstream as well.

Modernisation processes therefore also affect the components of governance noted above. They lead for example to a plurality of interests that becomes translated into democratisation and necessitate a universality of legal rules, as reflected in the rule of law. To this extent the emphasis on these components of good governance is supported in the modernisation theories. The attention to transformation processes does not however mean that these theories are much help in deciding which elements of governance should weigh more heavily in what situation. They provide insight into the historical co-variation of economic, social and political/administrative changes but do not provide any explanation about the possible independent contribution of governmental institutions to modernisation processes.

The latter may perhaps be derived more readily from theories concerned with the dislocation to which modernisation can give rise. These provide the potential for determining the necessary conditions (including political/administrative conditions) under which modernisation can follow a more balanced course. The social sciences have devoted considerable attention to this flip side of modernisation. As an example of this, Hout cites Huntington (1968), who notes the extent to which political violence and instability can be the product of the social mobilisation process set in train by economic modernisation, in that aspirations and expectations often outstrip the economic possibilities. The resultant social frustration can place the political system under pressure by the demands – including those for participation – imposed on the system. If the political system is not capable of absorbing the desire for greater participation and channelling the substantive aspirations, this can lead to instability. This approach therefore points to the possible lack of simultaneity of the changes taking place in the various social domains and the crucial role of political institutionalisation in stabilising the

development path. The approach adopted by Emmerij (2001) is analogous. As he sees things there is a parallel between the effects of the current process of globalisation and the early stages of industrialisation. Globalisation is creating a new social issue, relating to the large-scale accentuation of differences in wealth and poverty (both between countries and between population groups within countries) and to new problems, such as forms of international crime, urban dualism, international migration and drugs. The negative effects of the old social question could be absorbed by the institutions of the national state along the lines put forward by Huntington of broadening the power base (by the introduction of universal suffrage) and by the advent of the welfare state. The new social issue, however, also calls for new institutions. As the nation state no longer forms the most appropriate framework for providing an adequate counterweight to the globally operating private sector, Emmerij considers that new supranational institutions are required at regional and global level (e.g. an Economic Security Council).

Other theories

Emmerij's diagnosis closely parallels what Hout (2001) characterises as 'radical' theories. In contrast to the institutional theories these assign a highly important role to international factors in national development processes and consequently to the position occupied by a country in international economic relations and the international division of labour. Developing countries occupy a peripheral position in the world system, in which there is a significant dependence on foreign capital. The nature of the ties to the world system determines the strength of the various groups and elites within the country. Elites that stand to benefit from preserving the peripheral position of their country will seek as far as possible to limit the scope for the democratisation of the political system. As seen by Emmerij (2001) the current process of financial and economic globalisation is in fact working out to the detriment of poorer countries and calls for the equivalent of the welfare state at international level. The relative defensiveness of developing countries towards negative effects due to exogenous forces therefore calls for compensation, again by external authority.

It may be added that the effective participation of states in multilateral arrangements assumes that the governments concerned have an adequate and legitimate basis of power in their own country enabling them to arrive at an articulation of interests in international bodies that is shared by the population. Conversely they must also be capable of securing the acceptance within their own borders of the decisions taken in those bodies. To this extent there is no conflict with Huntington, even though the main burden of the necessary administrative changes is no longer imposed on the nation state. In this regard the views of Breman (1999), who shares Emmerij's diagnosis when it comes to the globalising economy, are of interest. He also draws a parallel with the social question, but places much greater emphasis on the endogenous dynamics in developing countries. The historical, linear advance of the citizenry which, according to Marshall (1949), took place in the Western world despite the stiff resistance of the established order, cannot be ruled out for the non-western world; according to Breman it is already in evidence. The advance of the

citizenry moved through successive stages from civil rights in the eighteenth century (the rule of law), political life in the nineteenth century (universal suffrage) to the socio-economic civic rights in the twentieth century (the welfare state). These core elements of the prevailing concept of good governance in the broad sense are, it is argued, being achieved in the developing world in the same stages but much more rapidly than occurred in the West. Breman regards the emerging autonomous dynamic towards greater equality as already discernible in developing countries as a necessary precondition for closer involvement by international bodies aimed at 'good works and bad affairs' – i.e. affairs typified by Emmerij as 'the new social issue'. In other words: not until social frustration is translated into obstruction will the nationally and internationally established order be prepared to agree for their position of power to be curbed by new transnational institutions or existing institutions. These do however need to be given new powers and to be democratised. Like Emmerij, Breman relates the national dynamic to the international context, but he appears more optimistic about the resultant mobilisation in developing countries. His thinking consequently bears greater affinity to the theories which Hout brought together under the denominator of the comparative and international political economy. Under this approach international factors are characterised as the most important force in explaining the changes in policy in a country. In contrast to the world system theory, the nature of the change can however not be traced back to the external impulse on a one-to-one basis but is determined by the nature and strength of the domestic coalitions with respect to land, labour and capital, the institutional structure of the national political system and the nature of the ideas and ideologies propounded by the relevant actors (Hout and Sie Dhian Ho 1997).

Exogenous versus endogenous development

On a scale indicating whether the national dynamic is determined primarily from outside or inside, De Kadt (2001) is an outstanding proponent of the latter position, especially when it comes to Africa. He may also be regarded as a representative of the modernisation theories, although modernisation cannot in his view be administered to a country as though it were a drip. De Kadt notes the as yet uncompleted process of state formation in African countries. Despite evidence of modernisation these countries are still at a stage in between the tribal state and the construction of a national state. Not until the process of state formation in which power is concentrated in the hands of the state has been completed does the formation of nation states in which citizenship is the dominant identity, arise. State power is still being fought over in many African countries – a struggle being conducted in ethnic terms. The situation remains far removed from the overall, 'generalised' identity that is inherent to the notion of (individual) citizenship. The colonial partition of Africa, in which national boundaries were often drawn without regard to ethnic groups, has greatly increased the challenge of forming nation states. For this reason there is little if any room for the major constituent elements of the modern state, such as an independent democratic state subject to the rule of law. These characteristics are tied up with the notion of citizenship, which is based on individual rights and obligations and the delimitation of the state and private domains (Gross 1998).

Ethnic identity remains dominant in many African countries and, where this also remains exclusive and all prevailing (Kaldor 1997), the division between private and public property is also problematical. State formation is primarily an endogenous process on which actors from outside are able to exert little if any influence. De Kadt is particularly gloomy about this; the West itself required centuries in order to establish the authority of the state on an adequate power structure, while the countries concerned have been involved in this process for just a few decades. It is not that the West has no influence *de facto*, but that the establishment of stable political and administrative institutions will primarily need to come from within. Whether this process of modernisation can be coupled with less violence than was the case in the Western formation of nation states is for De Kadt an open question. The international legal order may be increasingly expanding, with the beginnings of an international 'enforcement system', to which the African states have also subjected themselves formally, but there is a great difference between paper and reality. The nature and availability of modern weaponry also provide few grounds for optimism that the process will be a peaceful one.

Conclusions

The marked emphasis placed on good governance in modern-day development policy appears to have been inspired in particular by the renewed attention being paid to institutions within political science and economics. This theoretical interest does not however specifically distinguish between the various meanings that are assigned to the concept of good governance; in principle an economic rationale can be assigned to all the institutions that can be grouped together under the concept of good governance. Nor do these theories provide clarity concerning the question as to whether and under what conditions institutions can be deliberately established with external assistance; the notion of path-dependence would suggest that the expectations should be modest. Modernisation theories do not take issue with the new policy emphasis but do not generally assign political and governmental institutions a special role as a key strategic factor in processes of modernisation; these institutions tend largely to be seen as co-varying with technologically directed economic modernisation. At most they are assigned a role in eliminating unduly negative effects in the modernisation process – a role which De Kadt regards as being beyond many regimes, especially in Africa. In most theories the formation of political and governmental institutions appears to be regarded primarily as an endogenous matter and as the outcome of internal social relationships, the dynamic of which cannot however be viewed in isolation from international and economic developments. Only the centre/periphery theories regard the political system and the administration of peripheral countries as, in the main, exogenously determined, although that dependence is more of a reflection of the international economic structure as such than of international pressure or persistence. In the theories designated by Hout (2001) as the comparative and international and political economy, international pressure exerts a significant influence on policy change, but the nature of that reaction depends heavily on domestic forces and coalitions.

3.3 EMPIRICAL FINDINGS

This section examines to what extent the empirical findings of the research inspired by the preceding theories provide a further frame of reference for the questions posed. In his comparative analysis of this research Hout (2001) discerns little theoretical depth; in addition questions of causality receive little attention or are incapable of being answered with the aid of the econometric approach in question. Both these aspects obstruct the ability to place development policy and the changes taking place in it on an adequate and sustainable footing. The same applies to the definition employed of 'development'; investigations generally concern development in the sense of 'GNP growth'. The available material therefore provides much less information on factors of relevance for development in the sense of human development or for political/administrative aspects as independent dimensions in development. This is not to say however that the insights are of little importance for present multilateral or Dutch policy, as this assigns a place to increasing average GNP as a necessary precondition for poverty reduction.

Complexity

Despite these limitations the research results are not without importance. The lack of clarity concerning the relationship between the components of good governance distinguished by Hout and, in particular, economic development indicates that the complexity of this relationship is much greater than the existing consensus suggests. The fact that political instability exerts a consistently negative impact on development comes as little surprise. In accordance with institutional theory, political stability turns out to be important for development (see also Clague 1997). More notable is the fact that research into the nature of the official policies deemed necessary for economic development turns out to produce such erratic results. Although positive correlations do sometimes occur, the interpretation can then be complicated by methodological problems. This applies for example to the scale of the public sector. Such problems also apply to some of the findings from the research by Burnside and Dollar (1997), which has had such a decisive influence on the importance now accorded to good governance for economic development. This research was concerned in particular with the component of 'good policies', as regards monetary and fiscal policy and openness of trade. More research has been conducted into the influence of these factors on economic growth. The influence of fiscal and monetary policy is the subject of conflicting research results; only in the case of the openness of trade do all the research findings point in the same direction. As Hout indicates, however, the research in question does not measure the nature of the policy itself but the actual openness of the economies in question as evidenced by the trade flows. This output may not however be equated with the policy input, as it may also be the resultant of other factors, such as the size of the economy. Precisely what 'good policy' – which in the wake of this research, is now widely regarded as a component of good governance – entails and whether it exerts an independent influence on economic development is not clear on further analysis.

Stable institutions and development

In particular, empirical research provides support for the link between stable socio-economic institutions (such as institutional quality, economic freedom and the protection of property rights) and development (in terms of GNP or GDP growth). This would appear to provide the firmest confirmation for the hypotheses of the new institutional economics, which often relate to the link between good governance in the sense of market-supportive institutions and 'development' in the sense of GDP growth. Nevertheless caution is in order when interpreting this finding. Many studies into the relationship between good governance and development treat the various institutions as an exogenous factor, i.e. the existence or otherwise of these institutions does not itself form the subject of explanation. At the same time, it remains uncertain whether development policy can exert an influence on the formation of such institutions or whether these should instead be regarded as the product of historical development processes. Hout regards the latter as plausible. On the basis of Pourgerami (1988) he argues that there are indications to suggest that market regulation is positively affected by development level, democracy and culture, while Clague et al. (1997) found that lasting democracies provided better protection for property rights than lasting autocracies. In their turn lasting autocracies respect property rights more effectively than non-lasting autocratic or non-lasting democratic systems. The institutional theories are not therefore incorrect but in order to understand the nature of what is correct the attention must be shifted to transformation processes. Modernisation theories have more interest in this aspect.

Political regime and development

On the basis of Hout's findings the same conclusion may be drawn with respect to the empirical link between the political regime and development. The results are however less clear-cut. As noted political stability (of democratic or autocratic systems) as such appears to be an important necessary condition for economic growth. Within the precondition of stability there are few indications to suggest a negative link between democracy (political rights and civil freedoms) and development. But the precise nature of the link is much less clear. The number of studies not reaching a clear-cut finding exceeds the number suggesting a positive correlation. There is therefore no question of a one-to-one relationship. There are at any event indications that the relationship between democracy and economic growth is not a linear one but that the pattern takes the form of an S-curve. In a situation of limited democracy democratisation results in greater growth, while above a certain level of democracy this positive effect tapers off again. In terms of the new institutional economics the theoretical explanation for this is that the democratisation of society results in greater political stability and to better guarantees for individual rights and property and so contributes towards a favourable investment climate. Once democracy has become a standard feature further democratisation does not exert any additional effects on growth.

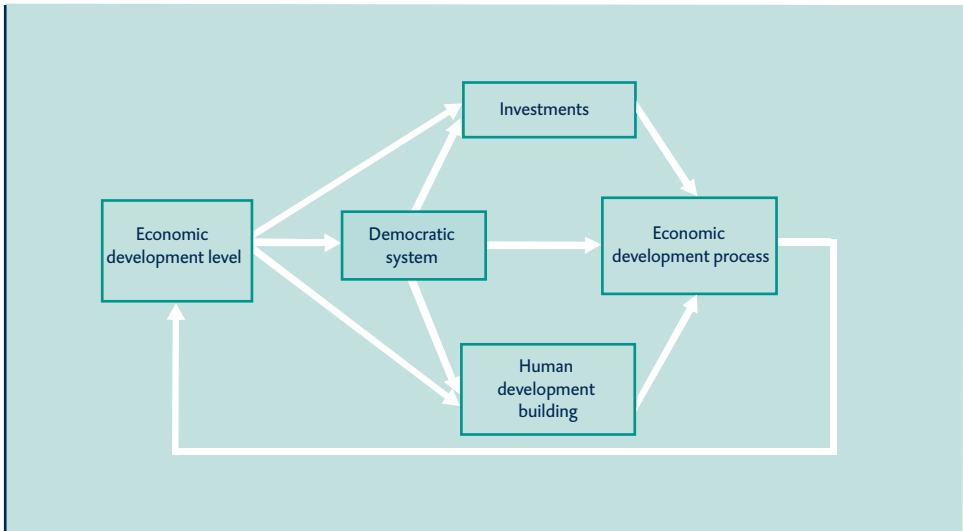
For developing countries this at least raises the question as to the factors that promote components of good governance such as the rule of law and democratisation.

Here again this question is by no means always addressed in research. The all too few studies which do so confirm the classic modernisation theory of Lipset (1959), in which the level of democracy is to a significant extent explained by the level of development in a particular country. A number of studies indicate that the preceding level of development (as indicated by per capita GDP, level of education and level of investment) exerts a positive effect on the incidence of democracy.

The latter in turn has a positive effect on further development through education and investment. Most of the very limited number of studies that interpret 'development' as 'human development' (a combination of for example per capita GDP, literacy, low infant mortality and high life expectancy) report a positive correlation between democracy (or respect for human rights) and growth in prosperity in this broader sense. In one study all the components that may be regarded as forming part of good governance turned out to have a positive effect on both the growth of GDP and on indicators of human development, except that in Asia the quality of the bureaucracy was a particularly important factor while in Latin America the quality of the rule of law was key. The research by Dollar and Kraaij quoted in Chapter 1 forms an exception to the positive picture, in that no link could be established between the existence of formal democratic institutions and the reduction of poverty.

These findings lead to the following hypothetical diagrammatic representation of the relationships discussed:

Figure 3.1 Relation between democracy and development



Source: WRR, based on Hout.

Given the far from clear-cut findings this relationship chart is highly tentative and emphasises the process-based nature of development. Self-evidently the dynamic nature of the system means that there is consistent feedback, in the sense that the economic development process set in train results in a higher level of development (as indicated above) which in turn is conducive to further democratic develop-

ment, and so on. The diagram makes it clear that good governance – including good governance in the broader sense when it comes to democracy and the rule of law (summarised in the diagram under the denominator of ‘democratic system’) – is relevant for the process of development, including economic development and human development. Both aid or conditions aimed at macro-economic policy, market-supportive institutions, democracy, the rule of law (and human rights) and the improvement of education, health care and anti-poverty programmes can draw justification from this relationship. The dynamic and complex nature of the relationship to some extent inhibits the search for the key factors in development processes; when it comes to measuring direct effects only a few can be identified. The empirical findings can also be interpreted as providing additional support for the vision aimed at promoting components of good governance as an independent objective of development: even if it is doubtful whether democratisation and the rule of law (in the broader sense than just the adequate protection of property rights) may be regarded as having a direct bearing on economic development, they can also contribute indirectly and in the longer term to a further increase in and distribution of property. The diagram also indicates that the direct importance of all these components cannot be viewed in isolation from a country’s particular stage of development.

The problem of exogeneity versus endogeneity

Empirical research surveyed by Hout (2001) does not provide any direct explanation of the question as to what extent components of good governance lend themselves to influence by external actors. Hout contends that there are numerous indications for the endogenous nature of institutions regarded as forming part of good governance. This confronts development policy with a highly important question: can external aid in fact be directed towards the establishment of such institutions? Much case-study research has been conducted on this subject but does not readily lend itself to generalisation. The research by Burnside and Dollar discussed in some detail in Chapter 1 is one of the few in which the role of aid is examined on a cross-national basis. The focus was however a narrow one, being concerned with the contribution of substantial financial aid to the growth of GDP. The conclusion that aid only has a positive effect in countries where there is already a policy environment conducive to growth and that such aid has not been capable of fashioning favourable policy conditions supports the indications for the endogenous nature of development. This among other things has induced the donor community to deploy aid to a greater extent than before as a reward for good governance and sound policies. But at the same time the scope of these findings has been limited since the research examined the effects of ‘institutional quality’ (i.e. government efficiency and the protection of property rights) and good policies (see above) in only a very limited sense. The wider characteristics that can be ascribed to these aspects were therefore not explored. Nor was the question examined as to how good governance and policy in the defined sense are brought about, for example by means of targeted aid. The sole focus of examination was whether aid-recipient countries had improved their policies and governance as a result of financial aid and this proved not to be the case. Finally, the main conclusion reached by Burnside

and Dollar is itself open to criticism. Dijkstra contends that on account of the methodological characteristics of the approach, the relationships identified can also be interpreted as meaning that the effectiveness of government policy in fact benefits from greater aid. Independent research into the effectiveness of Swedish development assistance appeared to support this alternative interpretation (Dijkstra 2001: 176-178).

Hout's survey points to the primarily endogenous nature of institutions that may be regarded as being important for good governance. These indications serve to moderate any undue optimism concerning the direct contribution that external aid can make towards the formation of these institutions. Hout concludes that development policy should in particular be geared to the endogenous dynamics already in place. Countries that have taken the first step on the road towards terminating a history of unconstitutional changes in regime, towards establishing the rule of law and protecting political and civil freedoms and towards establishing important institutions supportive of the market can benefit from support. External aid can therefore contribute not so much towards the transformation itself as to its consolidation. Such consolidation is important in order to ensure that still vulnerable advances are not wiped out and to keep the process of development going.

3.4 EVALUATION: THE KEY FOUND?

Good governance and development

The above theories and empirical findings provide grounds for caution when it comes to the leverage effect that might be created by emphasising the components of good governance as conditions or goals in development relationships. That certain governmental institutions are important for the effective functioning of markets has a ready theoretical foundation and is also convincingly supported by empirical evidence. Also plausible but less readily verified empirically is the notion that the embedding of these institutions in a democracy and the rule of law generates an even stronger climate that is conducive to economic development and human development and that also makes indirect contributions towards these ends by for example education and health care. In this way a self-accelerating mechanism could arise, in which all these variables are mutually reinforcing.

Development relationships tend, however, to concentrate especially on countries where this flywheel is not yet turning and where the initial level of development has not yet reached the point at which the conditions have arisen for democratisation, human rights and the rule of law. Furthermore, institutions theoretically of importance for development cannot readily be induced – by setting conditions – or constructed by means of aid. These are generally countries afflicted by major internal and often ethnic tensions and conflicts, group loyalties and identities that have penetrated deeply into such formal institutions as there are in the field of democracy and the rule of law. In such countries there are often great inequalities of income, and property rights are subordinate to the incumbent power. This does not totally exclude the possibility that the provision of aid inspired by the need for improved

public administration or made conditional on it, is totally without effect. Support for enclaves of good governance – which, according to Otto (2001), are to be found in every developing country at national or local level – can have a knock-on effect; what is at least important is that such norms as already exist in the countries concerned and which provide a frame of reference for their development paths are confirmed and consolidated. But it is no magic cure and certainly does not apply to the same extent in all places.

In fact the conclusion should be that from the viewpoint of increasing living standards and reducing poverty there is no particular reason to give priority to governmental institutions in this category of countries over other forms of development assistance, aimed for example at agricultural development, education and health care. Nor are there any grounds to exclude institution-building from aid, particularly where the research fails to throw light on the possibilities for doing so. Where these institutions are closely bound up with the distribution of power, however, sustainable successes will presumably be even more difficult to achieve than in these other areas.

In this connection a comparison presents itself with the transitional countries in Central and Eastern Europe – countries where the Western recipe does seem to work. The development being undertaken in those countries is taking place across the board in society: the economy, democracy, the rule of law and governance in the sense of civil society are all the subject of transformation. The signs at present are that many of these countries will be able to work their way up to an ‘average European level’ in a uniquely short space of time. An analogy with the countries on which the development assistance is concentrated, however, would be misplaced. The populations in Central and Eastern Europe are well educated, episodes of democracy and the rule of law were not unknown in their pre-communist past and they had a shared history with Western Europe. In addition ‘the return to Europe’ in the form of membership of the European Union acts as a lever that is bringing about major internal mobilisation. Developing countries lack a powerful incentive of this kind that can be translated into sustained motivation, aimed at prospects widely shared in society. In addition they are not generally at a comparable level of development with most Central and East European countries.

There is therefore little reason to believe that the current emphasis on good governance represents a panacea for the promotion of development. This emphasis is accordingly qualified by the authors of most of the preliminary reports prepared for this report. They would tie development assistance in this area to extremely strict conditions or would call for the rehabilitation of (for example) direct poverty reduction. Although the importance of institution-building cannot be denied, its current popularity is striking and itself calls for an explanation.

Good governance as a projection of Western thinking

In theoretical terms, it would – as Hoebink (2001) suggests – appear as though the focal points of development policy are projections of the ideological and intellectu-

al climate in the West itself. That climate, in turn, cannot be viewed in isolation from the prevailing circumstances in the West. During the post-colonialisation period involvement by the West in the governmental structures of developing countries was for a long time a taboo subject. During the Cold War the main concern was whether a country could be regarded as forming part of the Western camp and the nature of the regime in question tended to be glossed over. Western developmental strategy was underpinned by Rostow's celebrated theory of 1960 concerning the stages of economic growth; not for nothing was the publication subtitled *A Non-Communist Manifesto*. During the 1960s and 1970s, in response to the critical examination of society in the West itself, what remained of programmes for law and development and development administration found themselves squeezed as these concerned the export of law and policies which, as Otto (2001) notes in his preliminary report, were under serious scrutiny themselves in the West. Furthermore the 'independence mentality' was strongly in vogue in response to 'dependencia' theories; this placed the emphasis on autarchy and autonomy and hence on uncoupling the South from the North. From the 1970s onwards developmental policy was also influenced by the feminist and environmental movement in the West.

Both the worldwide expansion of the commercial sector in the 1980s and the advent of the human rights movement ushered in a re-evaluation of politics and administration. In Western countries the reconstruction of the bogged down domestic welfare states initially resulted in renewed attention to the theories of Friedman and Hayek – Reaganomics and Thatcherism – and later to a re-evaluation of market-supportive institutions, e.g. under the new institutional economics. In good Anglo-Saxon tradition this line of thinking was legitimated pragmatically, namely by considerations of effectiveness and efficiency. In particular the post-1989 events saw a repeat of the recipe for Central and Eastern Europe. Following the initial emphasis on economic liberalisation, positive freedoms and political rights received greater attention, resulting in large-scale attention by the West to institution-building by way of support. The by now impressive volume of transition literature stressing the importance of institutions has also undoubtedly been a factor behind the good governance that is now so popular thinking in development cooperation. What was discovered in the West as being desirable for its own societies is therefore reflected in the thinking about what is good for developing countries. It is not difficult to demonstrate that the process of political and economic thinking in and about the West itself is reflected in the thinking of the World Bank and the IMF vis-à-vis the developing world.

The consciousness that such a projection might once again be taking place can serve to moderate excessive expectations and prevent disappointment if the results once again fail to measure up. On the other hand it would be equally as inappropriate to play down the importance of good governance. The change in international relations has in any event enlarged the political scope as well as the necessity to devote greater attention to this aspect in development policy among both donors and recipients. By encouraging developing countries to do what they can to

improve forms of governance and endogenous developments and forces in that direction a direct and indirect contribution is made towards combating poverty. The converse applies equally. This is a cautious and conditional formulation. The processes at issue are complex and very long-term in nature. Aid-recipient societies are not machines where it is just a matter of finding the right buttons to press. Precisely because current policy is so prompted by the desire to make aid effective and also to maintain the base of support for such aid in the recipient countries themselves, the Council considers that the scaling down of expectations would be anything but misplaced. What needs to be prevented is for the present emphasis on good governance to be unmasked in due course as the umpteenth alleged key in the development process. More appropriate would be the recognition that the concept is of major importance in both an instrumental and normative sense, but that the way in which it is put into practice in development policy is a highly experimental matter.

4 MAIN ELEMENTS OF FUTURE POLICY

4.1 INTRODUCTION

As has been seen in the preceding chapters, providing good governance with a convincing place in development policy is not straightforward. Good governance is not a clear-cut concept. Nor is it always clear why good governance is at present considered so important.

It was seen first of all in the preceding chapters that functional and normative considerations are not always sufficiently distinguished from one another in determining the importance of good governance. The functional approach – which also plays an important role in Dutch development policy – is based on the assumption that the existence of good governance in a country renders the development assistance more effective. This is, in fact, an empirical proposition: it must be possible to establish a link between good governance and the effectiveness of development assistance. A second problem turned out to be that the concept of good governance had many meanings, as indeed also applies to the concept of development.

Particularly when one is looking for an empirical link between the two concepts, precision is called for: what components of good governance constitute a necessary precondition for what aspects of development?

The empirical foundations of the various components of good governance for aspects of development were examined in Chapter 3. The resultant picture turned out to be highly qualified, not least because the available empirical material is subject to so many limitations that no more than tentative conclusions are possible. These findings form a warning against arguing over-readily in favour of good governance in the broad sense in terms of its functionality for development; given the limited number of clear-cut findings there is a major risk of overgeneralisation. These results do not however justify the conclusion that components of good governance that are not of direct importance for improving living standards and reducing poverty should therefore be regarded as less important. There may also be a desire to promote them by virtue of their intrinsic importance, as in the case of respect for human rights.

Against this background the Council has set out its reasons in the following sections as to why it considers that good governance deserves high priority. In doing so it has formulated underlying principles and recommendations: what elements of good governance are at issue and what consequences should this have for (bilateral) development policy?

4.2 UNDERLYING PRINCIPLES

4.2.2 IMPORTANCE OF GOOD GOVERNANCE

In the opinion of the Council increasing the quality of government administration should have high priority. There are various reasons for this, both of a normative and a factual nature.

Normative considerations

The most important reason is that good governance in the broad sense is worth pursuing in its own right. Respect for human rights and democratic principles and protecting the rights and freedoms under the rule of law are concerned with values that apply equally to every state and citizen. These transcend the functional importance of aspects of good governance, for example for economic development. This starting point does not mean that the constitutional forms of democracy under the rule of law that have arisen in the West in order to satisfy these values can or must be imposed on other countries as a standard requirement. As Hirsch Ballin (2001), however, indicates, the values at issue must provide a framework. Whatever constitutional institutions there may be or are set up, the test will always need to be whether values such as integrity, participation, the honest administration of justice and respect for human dignity will be more effectively safeguarded as a result. These values may not be the subject of qualification. Equally, however, this does not mean a new cultural imperialism. The aforementioned principles have been accepted worldwide in a formal sense and provide touchstones for all states, and not just for developing countries. Where these values have primacy caution is in order when it comes to exporting the institutional arrangements that exist in the West. The many variants of democracy in the West make it prohibitive to prescribe any particular forms. The historical and current social and cultural context of the recipient countries must determine the way in which the values can be more effectively served.

Functional importance of good governance for developing countries

The various components of good governance may also be regarded as functional for development processes. Chapter 3 indicates that there remains a good deal of ambiguity concerning the precise role in development processes of the various components classed as forming part of good governance and that these can also not be viewed in isolation from the situation in the countries concerned. Nevertheless there are indications that – seen in the long term – the direct or indirect importance is or at least can be substantial. For this reason good governance in the broad sense deserves high priority.

Functional importance of good governance for the Western world

Good governance in developing countries also has a bearing on the interests of the Western world itself. This is related to the fact that countries in a globalising world are more susceptible to the effects of what is happening in other countries. Many phenomena and problems are by nature of a transfrontier kind. This calls for inter-

national co-operation, as reflected in numerous treaties and other instruments of international law, in such areas as international trade and investment, protection of the environment, combating international crime, and electronic communication, as well as many other topics. The starting point is in all cases that the national states have a sufficiently equipped system of government to implement what has been agreed. A treaty to protect the environment will, for example, only have effect if the affiliated countries do in fact ensure that it is observed in their territory. The importance attached by the West to sound government administration elsewhere does however go further; the West itself has an interest in economic growth in developing countries and hence also in a system of government that contributes towards that process. Bad internal government can damage these objectives, increase poverty and result in the violation of human rights and the migration of refugees. Armed conflicts between groups of people can be translated into violence in countries where migrants from those groups have established themselves. These and other examples indicate just how much international interrelationships have rendered an improvement in governance in developing countries into an issue of many-sided interest. This forms the third reason for good governance as a priority goal.

4.2.2 IMPORTANCE OF DEVELOPMENT COOPERATION FOR THE IMPROVEMENT OF GOVERNANCE

If the importance of good governance in both the narrow and the broad sense has been established, this is not to say whether and by means of which external channel of influence the desired improvement can be brought about. The Council considers that within the current arsenal of possibilities, an important role is set aside for bilateral development cooperation.

Development cooperation is not the only means of improving the quality of governance. Particularly over the past decade, regular use has been made in international relations of political and economic sanctions as a means of compelling states to behave in accordance with the international legal order. The success of doing so is a matter of dispute. A recent study indicates that sanctions often prove to be counterproductive in countries with a dictatorial or authoritarian regime in which there is little scope for opposition (Cortright and Lopez 2000). In these circumstances the regime tends to dig in its heels and to pass on any negative consequences on to the population. The Dutch government too is highly reserved about the effectiveness of this instrument (Lower House 2000d). In addition a coercive measure of this kind does not take into consideration the conditions that must be in place in the country in question for it to satisfy the international norms. Precisely here development cooperation can play an important role.

It may also be asked more generally whether the international legal order can exert such influence on the introduction of good governance that the latter can then be firmly entrenched in the individual countries. As Hirsch Ballin (2001) indicates in his contribution for this report, the legal order is indeed no longer solely concerned

with regulating the dealings between sovereign states. The Universal Declaration of Human Rights and the treaties based on it, for example, are explicitly concerned with the relations between citizens and government within individual countries. It is reasonable to assume that the significance of international law for the position of the government and the organisation of government administration will be further extended. Hirsch Ballin notes in this regard that although international law does define a number of activities that stand in the way of good governance there is as yet no binding definition of what good governance should be. In this regard he proposes more far-reaching requirements for the form that good governance should take. Hirsch Ballin would like to render the democratic system of government the subject of a binding convention in which the characteristics of administrative procedures serving to guarantee soundness and integrity were also laid down.

Without denying the importance of such an extension of international law, the Council considers that the biggest problem arises from the fact that many countries are simply unable to arrange their public administration in such a way as to correspond with the relevant norms laid down by international law. This therefore leaves an important role for development policy in this area. This stance is based on the following considerations.

In the first place it is unrealistic to rely on the international legal order in this context. Formally accepted law-on-paper does not always leave equally deep traces in practice. The fact that such law is often highly declaratory in nature is not divorced from the sanctions regime, the development of which often lags well behind the law itself. Where lighter sanctions dominate in practice, compliance – where it exists at all – by unwilling regimes tends to be largely notional, for example at election times. In this regard it needs to be borne in mind that ‘law’ has a much less automatic legitimacy in many countries than it does in the West. This arises in the first place from the situation of law and judicial power in the country, which often form an extension of the executive. Another factor, however, is the widespread colonial history, which is still fresh in memory. Demands made on countries in the name of international law will tend to be viewed with suspicion in ex-colonial countries on account of the Western interests that this might be concealing. With regard to the demands in respect of democracy the developing countries are also aware that one outcome will enjoy more respect in the West than another. Developing countries are also ultra-sensitive about any infringement of the right to self-determination as their sovereignty will generally be of only recent date. Finally, the universality of the rights laid down in the Universal Declaration is not undisputed. The Islamic world has for example drawn up a declaration of its own and numerous countries have entered reservations to many other general declarations and conventions (Rutten 1998).

International law cannot therefore automatically count on legitimacy. As well as this, however, the internal situation imposes limitations on the ability of governments to follow such law in respect of the political system and public administra-

tion. It was indicated in Chapter 3 just how much the type of public administration is the outcome of endogenous processes. These by no means always head in the direction of the emerging norms for good governance that are associated with internationalisation. Although the passing of the Cold War has freed developing countries from the compulsion to choose between the two camps it has also given free rein to other forces. Governments that misuse their position for their own advantage and terrorise the domestic population to that end are unfortunately not the exception. In many countries the state has not yet crystallised out and/or there are serious identity problems in which nationalisms, often centred around or symbolised by ethnic and religious issues, play an important role. This point was examined in detail by De Kadt (2001) in his contribution on Africa. Fundamentalism of all kinds, often exploited by rival elites, afflict many developing countries. Political manifestations of such processes (or the threat thereof) mean that the political regimes of the countries in question are exposed not just to external pressure but also to strong internal pressures. This instability brought about by internal heterogeneity limits the ability of governments to meet the international judicial requirements laid down by international organisations, even in those cases where there is the political will to work towards better governance.

As well as this, the stage of development that developing countries have reached means that they simply cannot be expected to have governmental institutions in place that satisfy the yardsticks of international law and norms of good governance. Apart from the requisite social, political and cultural conditions this calls for the existence of institutions that can draw on knowledge of and experience with good governance. Such institutions can only arise as the result of a long-term process. An independent judiciary cannot for example be set up overnight. Apart from the necessary political conditions properly trained judges are required, together with a sound legal system that they are able to apply. The lack of training and the necessary legal system cannot readily be compensated for. It is therefore an impossible task for a country to abide by the requirements of good governance as long as that country lacks the necessary facilities.

The Council therefore considers that as a complement to the importance accorded to good governance it is necessary to make a contribution towards the achievement of improved governance in the countries concerned. This is, *par excellence*, an obstacle which those countries are unable to eliminate through their own efforts alone. Development cooperation is the appropriate mechanism to this end. In this regard it will need to be acknowledged that the nature of the political and administrative institutions are to a significant extent determined by endogenous factors. The expectations must accordingly not be pitched too high. As indicated in Chapter 3, a contribution aimed at consolidating the progress that has been made in that direction and strengthening the necessary preconditions will hold out the best prospects of success. But the recognition of the importance of good governance combined with the fact that it is difficult for this to be realised unaided leads to the conclusion that this is a task for development policy.

The point of departure that development policy should in particular benefit the poorer countries of the world or that the focus should be on poverty reduction is not changed by this approach. The fact that the richest part of the world concerns itself about the poorest part expresses a vision of the world as a community of shared values. This however also means that the policy towards the poorest countries will pay explicit attention to the promotion of good governance as those countries will have difficulty making sufficient progress by themselves.

4.2.3 CONCEPTUAL POINTS OF DEPARTURE

The Council regards it as highly important that the policy be based on clear concepts, both as regards 'good governance' and 'development' and as regards the relationship between these two concepts. With regard to the conceptualisation of 'development' and 'good governance' the Council's views are closely in line with those of Otto in his preliminary report.

This means in the first place that a broad development concept needs to be adopted. A country does not derive its status of 'developed' in terms of prosperity alone but also in terms of other developmental goals. Apart from prosperity Otto (2001) cites 11 further characteristics of development (see Table 4.1). Seen in this light, good governance, legal certainty and democracy are therefore meritorious development goals and all these dimensions are subordinate goals of development-oriented policies.

Table 4.1 Goals and processes of development

Development goals (characteristics of a developed country)	Development processes
Legitimate state	State formation
Security	Stabilisation and security
Prosperity	Economic growth
Social justice	Redistribution and poverty reduction
Capacity	Spread of knowledge through education
Sustainability	Environmental protection
Health	Combating disease
Authenticity	Cultural identification
Unimpeded opportunities for development	Liberalisation
Democracy	Increasing public influence
Legal certainty	Enhancing legal certainty
Good governance	Improvement of public administration

Source: Otto (1999).

The 'process of development' therefore refers to the sub-processes that contribute towards achieving the characteristics of a developed country. Apart from economic growth these are the processes of state formation, stabilisation and security,

redistribution and poverty reduction, the spread of knowledge through education, environmental protection, combating disease, cultural identification, liberalisation, increasing the extent of public influence, enhancing legal certainty and the improvement of public administration. Some of these sub-processes are interdependent, in the sense that progress in one area will also require progress in another. Improvement of the administrative quality constitutes a necessary precondition for most other processes. Conversely, however, other processes are also a precondition for the improvement of governance. Seen conceptually all the goals referred to in Table 4.1 may be regarded as subordinate dimensions of development; in addition the improvement of the one dimension will be instrumental in relation to the achievement of other dimensions. Improvement of the administrative quality of developing countries is therefore both a goal in itself and a means of achieving other developmental goals.

In order to obtain insight into these interdependencies it is important not to work with container concepts but clearly to distinguish the various development goals and sub-processes in the form of operationalised concepts. For this reason democracy and legal certainty are not lumped together under an umbrella concept of 'governance' but are cited as separate dimensions of development. The definition of governance in this vision is therefore a limited one, namely 'the formation and implementation of policy'.

Governance deserves to be qualified as 'good' if it is lawful, effective and efficient. 'Lawful' means 'in accordance with the prevailing law', 'effective' means efficacious and 'efficient' refers to the 'sparing utilisation of available resources' (money, manpower and goods). In addition the qualification 'good' refers to the content of what is undertaken by means of public administration, i.e. the policy. 'Good governance' is 'governance on behalf of development-oriented policy'. Under this vision the government machinery is regarded as functioning well if it is used to bring about economic growth, environmental protection and health, etc. (see the development goals in Table 4.1) in a lawful, effective and efficient manner. Equally, the definition involves a call on governments to improve their own organisation and, by means of government policy, to contribute towards the rule of law, democratisation and improvement of the human rights situation.

Although the various development goals may be regarded as subordinate this does not rule out the setting of priorities. On the contrary: if aid is to be effective priorities must be set. These will vary from country to country. The particular mix of goals selected will determine the concrete governmental institutions that are primarily required and which may be held to account. Whether and to what extent the governmental institutions in question lend themselves to change cannot be viewed in isolation from contextual factors, some of which may also come into consideration for change. If the goals concern the legal and administrative system, the political culture and the economy will generally also be at issue. But even if poverty reduction, for example, is selected as the primary goal it will not be possible to abstract from law and public administration. In order to do justice to these

interdependencies and the intended sequence of events, a great deal of precision is required with respect to the relationships that may be deemed relevant and the knowledge of the local context that is required in order to operationalise those relationships in the form of concrete development work.

The Council is therefore attracted by the approach under which the broad concept of development is dissected into explicitly named sub-aspects, including a precisely defined and limited concept of good governance. This calls for precision and can so prevent the misinterpretations that arise from the use and linking up of 'development' and 'good governance' as container concepts.

This precision is a precondition for the ability to formulate policy theories and to test them in practice. In this way it can contribute towards the generation of a cumulative bank of knowledge that is required for concrete action. The impression can also be eliminated that the improvement of governance, the legal system and democratisation always work in the same direction. Elections do not in fact always result in more stable administration and administrative devolution can be at variance with legal certainty. Nor is it always the case that democratisation, good governance and the rule of law also support other development goals. The devolution of governmental powers as prompted by democratisation may for example impede redistribution. As noted previously, the illusion needs to be avoided that the desired processes can be made to follow a linear path by means of good engineering. Setting modest aspirations and the acceptance of solutions which, in Western eyes, will not always be identified with good governance and law, are unavoidable. This underscores the fact that knowledge of local conditions is a necessary precondition for translating the theoretical links between law and governance and other development goals into aid activities that are aimed at what is feasible.

4.3 RECOMMENDATIONS

4.3.1 INCREASING THE PRIORITY OF GOOD GOVERNANCE, THE RULE OF LAW AND DEMOCRACY

In recent years the Netherlands has worked energetically on restructuring development policy. This process has involved devoting considerable attention to good governance, the rule of law and democracy as important preconditions for economic growth and poverty reduction and also as objectives in their own right. This evolution of Dutch policy broadly paralleled that of the multilateral organisations, especially the World Bank. This 'post-Washington' consensus linked up with the thinking in the United Nations, where human rights, empowerment and democracy are very much emphasised. This has resulted in an approach which is, in broad terms, highly promising but the practical implementation of which remains highly experimental. One element in this approach endorsed by the Netherlands is the principle of ownership: the recipient countries are themselves responsible for selecting the sectors they regard as important for their develop-

ment. Whether and how the priorities of the donors come into the picture is not clear in advance. This depends in part on the overall programme, over which each of the bilateral donors exerts only limited influence.

The Council considers it legitimate for national priorities and interests of the donor to be recognisable in a bilateral programme. This certainly also applies to good governance. Under the present policy framework good governance is addressed in one of two ways:

- *via sectoral aid where the recipient country has designated that sector as important, and*
- *as a part of integrated programmes.*

Partly on account of the still highly experimental nature of the multilateral policy there are sufficient grounds for the Netherlands to supplement this approach by exploring avenues that are more explicitly designed to give shape to the priority of good governance, democratisation, the rule of law and improvement of the human rights situation in developing countries. As noted in Chapter 2, question marks may be placed against the way in which the improvement of these dimensions is tackled in Dutch policy, both as regards country selection and how this is worked out in the sectoral and thematic approach. The recommendations set out below are aimed at pointing up the importance of good governance and law articulated in section 4.1.1.1. This accentuation of bilateral policy is not intended to reduce the Netherlands' share in multilateral programmes. The high proportionate share of these programmes in development policy (Lower House 2000a) reflects the great importance attached by the Netherlands to combating poverty. By way of supplement, bilateral policy should provide scope for separate national priorities, with a more distinctive emphasis in terms of country selection and working methods. It is also desirable for other avenues to be explored with the 'free' element of bilateral policy as multilateral policy is still at the stage of learning by doing.

4.3.2 DOING JUSTICE TO TWO-SIDED INTERESTS

The promotion of good governance, human rights, the rule of law and democracy is not just in the interest of the developing country itself but is also indispensable for regulation in a globalising world. The recognition of that interest means that the promotion of the aspects referred to above obtains a two-sided significance: both the recipient country and the donor stand to benefit. This means that the success of the aid must also be regarded as being in the donor's own interests.

This certainly applies to the Netherlands. Traditionally a small country such as the Netherlands – with its worldwide interests – has a particular interest on account of the limited power that it has in an effectively operating international legal order and also in proper governance in the countries with which it maintains relations. In her letter to the Lower House of 12 July 2000 the Minister for Development Co-operation, Eveline Herfkens, indicated that the Netherlands was the only country in the world in which the promotion of the international legal order has been enshrined in

the Constitution as a task for government (Lower House 2000c). This national priority is visible in policy in various ways: it is reflected in foreign policy in general and more specifically in the support provided for institutions in the field of international law.

The Netherlands is relatively well placed to make a contribution towards strengthening national legal and administrative capacity. Traditionally it has a certain name in this field, as manifested by the presence of various legal institutions in The Hague, while as a country with little power it cannot be accused of hidden agendas. Dutch involvement with a subject so closely bound up with national sovereignty may, in consequence, be more acceptable for many countries than aid from large countries or multilateral organisations in which those large countries play a major role. Furthermore, the Netherlands leads the field internationally in certain legal areas.

The realisation that as a donor country the Netherlands itself also has a major interest in development necessarily has consequences for the form that the development relationship takes. There needs to be a mutual involvement in the success of the activities. Good co-operation arrangements are a basic precondition for effectiveness. For the problem of good governance this approach means that the current emphasis on ownership stands in need of some qualification. Under the ownership concept, Dutch policy has correctly taken leave of the earlier approach under which the donor was deemed to know what was good for the country and translated this into all sorts of imposed conditions. Under this paternalistic approach – as criticised by Emmerij (2001) and De Kadt (2001) – the aid-recipient countries were not taken seriously enough and too little account was taken of the local situation and wishes. Equally, however, the opposite extreme needs to be avoided. However important it may be for the recipient country to work out a development strategy itself, this does not mean that the donor – taking the concept of ownership to its extreme – can confine itself to the handing over of funds. This point is all the more cogent when it is borne in mind that precisely in the field of law and public administration the input of the recipient country will generally be a limited one. Where the system of governance and law is inadequate, there will also be little knowledge or experience to draw on. Internal relationships may also act as an obstacle towards coming out in favour of change.

When development co-operation is explicitly based on a reciprocal interest, the aid relationship assumes the features of a transaction. This will also substantially strengthen the basis for the aid. If, however, the development co-operation is solely motivated by justice or international solidarity this foundation will be wobbly, as evident from the tendency evident among many donors to cut development co-operation budgets. If it is acknowledged that the West also has an interest itself in balanced development that does justice to justifiable desires in the developing countries this can only be to the good of the mutual commitment. Both parties will then contribute their insights and expertise and will have an interest in ensuring that the agreements reached are observed. In this way the ultimate contract implies a two-way commitment.

In the Council's view, ownership, transaction and partnership should consequently all three play a role in the development relationship. The recipient country must regard the object of aid as important (ownership). Both recipient and donor stand to benefit from the undertaking (transaction), each in terms of their own interests. And both parties have something to offer one another in the process entered into (partnership).

4.3.3 STRENGTHENING DUTCH PUBLIC INTEREST IN BILATERAL POLICY

The aforementioned considerations lead to the recommendation that the importance attached by the Netherlands to good governance be given greater weight in bilateral policy. Multilateral development assistance, in which the Netherlands has taken on an important share (Lower House 2000a: 33-35), provide fewer opportunities for specific Dutch views to come into their own and to benefit from the particular advantages that the Netherlands can bring to a bilateral relationship. The justification for bilateral as well as multilateral aid consequently stems from the fact that it is possible to translate a country's independent public interests into different priorities and explore other possibilities than in a multilateral programme. This means that specific bilateral aid need not seek the closest possible connection with the criteria and forms of development assistance already being employed in the multilateral context, even though achievements such as the importance of ownership should continue to have primacy in bilateral development assistance.

The assignment of priority to the promotion of good governance and the rule of law must be reflected for the Netherlands as donor country in the selection of countries, in the interconnections between the various kinds of aid (integrated approach, see section 4.3.5) and in the nature of the Dutch input in that relationship.

4.3.4 COUNTRY SELECTION

The existence of good governance cannot be used as a selection criterion in selecting the countries that qualify for bilateral aid. If it is the desire – as in the case of current policy – to select poorer countries for development aid in which there is good governance, reasonable rule of law and democracy, the cupboard is likely to be virtually bare. In a comparison of the 17+3 countries that were selected for the Dutch sectoral programme with the 24 countries that failed to qualify, Hout (2001) demonstrated that the selected countries did not always compare favourably with respect to political rights and freedoms, democracy and corruption. This is not surprising, as it will be rare for a poor country to meet these criteria. In practice it therefore turns out that some of the selected countries always opt for the improvement of governance and law as an important sector for development (see Ch. 2).

If the improvement of governance, law and democracy are indeed regarded as priority objectives, as advocated by the Council, it is however more important that countries automatically qualify for aid where the situation in respect of these dimensions requires improvement.

The selection criteria could therefore be that efforts on the Dutch side – as also seen by the recipient countries – hold out the prospect of improvement or that the improvement of governance is of particular importance for the Netherlands.

This does not exclude the countries selected under present Dutch policy. The situation with respect to the rule of law and governance is also imperfect in many respects in these countries and targeted development assistance in these areas is justified. In the Council's view, however, suitability for economic growth, which is now de facto an important selection criterion, should not be the sole or the decisive criterion in setting priorities. More specifically consideration could be given to the following considerations:

- a The fact that favourable developments are taking place in a particular country. A change in regime or the improvement in other internal circumstances holding out prospects of change can offer opportunities of which advantage can be taken.
- b The fact that expertise has been built up in the Netherlands in relation to a particular country. Such expertise may derive from historical links, as in the case of Indonesia or Surinam. It may also be associated with other factors, such as the presence in the Netherlands of large numbers of immigrants from the country in question who are familiar with both that country (e.g. its language) and the system of governance in the Netherlands.
- c The fact that developments in the country in question are of specific importance to the Netherlands. This may again be related to the fact that there are numerous immigrants from that country in the Netherlands or that an influx of migrants from that source is to be expected. The fact that conflicts in the country of origin can be translated into the Dutch context provides the Netherlands with a particular interest in orderly development in those countries themselves. But the existence of a long-term good relationship with that country may also be a relevant factor. Equally the fact that the Netherlands imports crime from certain countries may provide a reason for special concentration on those countries. In all these cases the public interests of the Netherlands itself may provide grounds for strengthening trends in the direction of democracy under the rule of law in those countries.

The above considerations will not result immediately in a different selection of countries. In those cases where, as discussed in more detail below, major weight needs to be attached to long-term relationships and good knowledge management in the donor country, the number of countries selected for aid must not be too large and unnecessary changes must be avoided. In order to achieve effect the assistance provided to each country must also have a certain critical mass. This points in the same direction. In the case of countries with which the Netherlands already has an aid relationship, it is therefore particularly important to eliminate any sense that sectoral aid and good governance aid are opposed to one another. As soon as opportunities arise for entering into new co-operation relationships, however, account should be taken of the approach outlined above.

4.3.5 INTEGRATED APPROACH

The approach advocated by the Council does not sit easily with the distinction drawn under current Dutch policy between sectoral and thematic programmes. Next to sectoral aid concerned with good governance the preferred approach should be to integrate good governance aid with aid in other sectors that are regarded as important.

Reference was made in Chapter 3 (Figure 3.1) and section 4.1.3 to the correlations between the various dimensions of development and it was argued that a good system of law and governance generally constituted a necessary condition for economic development and poverty reduction, as well as vice versa. This implies that justice needs in principle to be done to these interrelationships in the dynamic process of which development co-operation is a part. The opportunities that a development relationship with a particular country offers should therefore be used in order to improve the systems of law and administration and to address other dimensions of development in mutual interaction.

As indicated in Chapter 2, institutional changes are not ruled out under the present sectoral approach but the scope of such change remains confined to the governmental institutions of particular relevance for the sector selected for aid. This is also related to the underlying principle that these countries have been selected as they comply with the requirements of good governance, albeit in the ‘narrow’ sense referred to previously. Conversely the thematic programmes avoid sectoral activity. In the Council’s view this may fail to take full advantage of the opportunities for synergy.

If the importance of the rule of law, human rights, democracy and governance are accorded a more central place in policy this does not mean that the development relationship can be geared to these considerations from the outset. In countries where these dimensions are in poor shape, governments will not be so inclined to call for or accept aid aimed at improvement. Otto (2001) notes however that the situation in most countries is not generally bad right across the board and that there will always be enclaves where meaningful work can be performed and where there is also a need for support. Furthermore the appropriate course of action in these countries may not be to focus the aid directly on those dimensions but instead – as De Kadt (2001) suggests – on sectors not in the public administration spotlight, from which aspects of governance and law can be addressed in due course. An integrated approach need not therefore always mean that the development of interrelated dimensions is promoted at precisely the same time; in practice the approach will generally be sequential. What is important however is that the chosen policy structure does not prevent the interrelationships from being used. In this regard it is pre-eminently the case that a carefully built up relationship of trust and well-developed multidisciplinary knowledge of the country in question on the part of the donor are necessary conditions for an aid relationship under which sensitive issues can in due course be placed on the agenda and possibilities for change can be identified. The best angles of approach will differ from country to country, accord-

ing to where the need for aid is (or is perceived to be) greatest. This also emerges under the ownership approach. That the initial choice in one case will focus on health care and in the other on law and public administration is not consequently ruled out, but the a priori organisational separation of the two is.

In choosing the right line of approach account also needs to be taken of the expertise available in the Netherlands. If Dutch perspectives are to play a role in the bilateral development relationship this will mean a Dutch input and consequently the need for separate expertise. Effective use of that expertise calls for concentration on a limited number of sectors in which the Netherlands has special knowledge, such as rural development, agriculture and water management.

4.3.6 SHAPING THE RELATIONSHIP: LONG-TERM ORIENTATION AND KNOWLEDGE MANAGEMENT

Governance and law: long-term orientation essential

The recent policy changes have been prompted by the desire to maintain the political support base for development co-operation. Effectiveness here is the key word. As noted, it is from this that the restriction of sectoral aid to countries in which there is good governance arises. Perhaps even more than in other areas, the development of a democracy under the rule of law calls for a long-term orientation. This does not mean that effectiveness should not be a guideline.

The Council considers that the conditions for effectiveness should be sought in factors that do justice to the long-term nature of the proposed processes of change. Once a relationship has been entered into it should in principle involve a long-term commitment that is given the opportunity to unfold gradually.

In this way more permanent networks of the kind so vital for the development of human resources in this field could arise. In the light of the legal institutions established in The Hague, the Netherlands also offers an internationally-oriented environment. While failures are necessarily an inherent feature, this learning process can gradually create opportunities for change. Undue focus on the short-term effectiveness deprives policy of this learning opportunity and is overly based on the premise that the recipe is known. The insight that the improvement of governance is a necessary aspect of development assistance is of only recent origin and needs to be given sufficient time in order to gain substance. Otherwise the possibility will arise that other recipes will be prematurely resorted to in response to the threatened loss of public and political support.

Multidisciplinary and knowledge management

One of the dangers to which development assistance is exposed is the application of standard recipes without regard to the local conditions. This is something that both the IMF and the World Bank come up against in the field of economic policy. Bilateral projects in such fields as agriculture and water supply have, however, been forced to learn the same lesson. Many failures have been based on the presupposi-

tion that what works in one country must work elsewhere as well. Such ‘mal-effective’ development assistance received an additional impetus from the monodisciplinary orientation: the agricultural expert knew what was best in the field of agriculture, the economist in the economic field and so on. Matters were no different in the more recently rediscovered policy field of law and governance.

The multilaterally discovered interest of ‘demand orientation’ – rightly endorsed by the Netherlands – constitutes a recognition of the failure of this approach.

The problem definition by and the expertise of local actors need to play a full role in the development relationship if the results are to take root. Development relationships are concerned with customisation, based on a thorough knowledge of the countries concerned and a protracted period of co-operation as a necessary precondition for building up a relationship of trust.

From the approach favoured by the Council it follows however that it is not possible to steer solely by the compass of ownership. The greater bilateral emphasis being called for with respect to the rule of law, democracy and governance involves an approach in which the importance of partnership is also emphasised. Such co-operation arrangements are not alien to current policy, witness for example the health programme in Ghana and the programme for biodiversity research in the Philippines set up by the Netherlands Council for Scientific Research as part of the Development Co-operation programme (RAWOO 1998a, 1998b). Both programmes have been integrated and include both scientific and public administration elements. The programmes are furthermore administered by Joint Program Committees set up on a parity basis.

For partnership to come properly into its own, the donor requires a much more thorough knowledge of the country in question than that required under the ownership approach. As Otto (2001) correctly notes, the expertise offered by the donor needs to be subject to strict requirements in relation to knowledge of both the donor’s own country and the aid-recipient country. Although progress is being made towards the trans-disciplinary knowledge in the field of law and governance that Otto calls for, these need to be further expanded if the Netherlands is to play a significant role as an exporter of knowledge in these fields.

In the Council’s opinion the co-operation should not just be based on a thorough knowledge by the donor of the systems of law and administration in the country in question but also on the historical, geographic, socio-cultural, economic and political context in which they are set. Where such knowledge is lacking steps should be taken to build this up.

The systematic pooling of relevant legal and administrative characteristics and developments lags far behind the body of comparative basic data in (for example) the economic field. In the latter respect institutions such as the World Bank and the OECD provide a regular flow of data for more specialised analysis. The data collections (of for example the US non-governmental Freedom House) in relation to law and administration are however much more fragmentary and subjective in

nature. The Netherlands should seek to ensure that this information becomes available here or elsewhere. In the case of the countries selected by the Netherlands themselves and countries that could qualify for aid, multidimensional country reports should be drawn up as the basis for a good aid relationship, both of a more sectoral nature and aimed at the systems of law and administration as such. As had been argued above, sectoral aid is unable to flourish without insight into the systems of law and public administration and aid directed to those systems cannot flourish without insight into the economy, social relationships and so on. In drawing up and updating such country studies use needs to be made of existing expertise. This is often held in fragmented form in various universities, NGOs and all manner of professional networks. As a result of their activities in numerous countries, NGOs have a wealth of information at their disposal which could be used far more effectively than at present by the government for aid purposes. Universities too of course have a task in building up adequate expertise, both when it comes to the necessary qualifications of graduates and in research policy. Although a good many good governance projects have now been undertaken and evaluations have been performed, these have not, as Otto (2001) and Hoebink (2001) note, so far been systematically processed. A more integrated development policy therefore also calls for more active knowledge management. The latter is set out in broad terms in the recommendations in the two preliminary reports.

4.3.7 LAW AND ADMINISTRATION AS GROUNDS FOR EXCLUSION

If the promotion of the rule of law, good governance and democracy is the objective of development assistance, a relationship will by definition need to be maintained with countries that score poorly in this regard. The Council considers however that there can be no official development relationship with governments of countries in which there are excesses in the field of human rights and corruption as this would amount to a denial of the fundamental norms that have now become established in the international legal order. Reference is also made to the preliminary report by Emmerij (2001). Knowing just where to draw the line is not straightforward. Excellent insight into and knowledge of the country are required in order to take a negative decision. That this can only apply in fairly extreme cases would seem clear enough; strictly interpreted, the violation of human rights is a daily practice in most of the countries concerned.

As noted in Chapter 2, the violation of human rights has seldom been a cause in the past for West European donors to delete countries from the list of aid recipients. The Netherlands has been no exception. It operates cautiously with regard to large countries such as China and Indonesia; in relation to smaller countries, however, a stricter approach is taken. Quite apart from the political effect in the donor country, bilateral sanctions will scarcely achieve the objective while other countries continue with development assistance. Furthermore, it is in most cases doubtful whether sanctions are effective, in that they can have highly negative humanitarian consequences without the desired goal being achieved (see section 4.1.1). And as

long as the absence of the rule of law and good governance are due in part to an inability to satisfy those norms, sanctions are bound to be ineffective.

It is therefore desirable for the half-hearted and selective attitude of the Western world in this regard to make way for a more clear-cut and objective approach. However difficult it may be to establish a direct positive relationship between human rights, the rule of law, good governance and other dimensions of development, it is nevertheless clear that a poor situation across the board impedes such development. A development relationship is left without foundations. This insight should lead to consensus in political practice. Efforts should therefore be made at multilateral level to arrive at a more objectified procedure for determining that a country is seriously in breach of its obligations in the field of human rights or good governance, as arising from international law or more specifically designated treaties. This would provide the recipient country with protection against what was regarded as the arbitrary cessation of aid and could also result in a joint stance on the part of the donor countries. At the same time it will not be easy to reach agreement on such a procedure within and between the world of donors and recipients. The linkage to treaty obligations, to which both recipients and donors have committed themselves, could however provide an opening. Such an approach would also indicate that one was not just expecting others to abide by the rules in question but that one was prepared oneself to accept such obligations in relation to decisions on terminating the aid relationship.

Perhaps the biggest gain in practice would be that this had a preventive effect. Regimes entertaining such practices would at least know where they stood and that they faced procedures which, directly or indirectly, could have substantial consequences. Those countries where the aid forms an appreciable proportion of GNP would clearly be the most affected, but even where the share is more modest the consequences can be substantial, for example leading the private sector to desist from investment or more generally leaving countries in a position of isolation in international relations.

The above considerations necessarily mean that great caution should be exercised in unilaterally terminating development relations on account of poor governance and the failure to observe human rights, etc. If, like the Council, one regards these as important objectives of aid policy, it would make more sense to strengthen rather than downgrade the efforts.

It does however need to be examined whether a different form of aid should not be preferred. The fact that the government's actions are condemned need not mean that there are no other potential avenues for aid.

4.3.8 POLICY AS A CUMULATIVE PROCESS

The greater emphasis on law and public administration in development policy means that the policy areas of other ministries are brought into play to a greater extent than in the past.

The Council attaches importance to greater involvement by the various departments in development policy. This creates scope for the mutual co-ordination of policy, for budgets to be deployed on a cumulative basis and for the pooling of the expertise required for the integrated approach outlined above.

Such involvement is also required as the international context is becoming increasingly important for every government department. In order to achieve their own objectives, departments are accordingly becoming more dependent on the quality of governance and law elsewhere. They therefore obtain a direct interest in promoting favourable developments abroad and will need to see this as one of their tasks.

At present there is little evidence of such a broadly-based approach. While there is co-operation on an ad hoc basis, the necessary expertise in such fields as agriculture, education, health care, justice and public administration is generally provided in the field of development co-operation by the Ministry of Foreign Affairs. This is related to the policy aim that the necessary expertise should as far as possible be provided by the aid recipients themselves. At the same time, however, some ministries have their own development activities, e.g. in the field of agriculture, or conduct policies of relevance for the possibilities of developing countries. It therefore strikes the Council as desirable that the policy experts of the various spending departments coming under the direction of the Ministry of Foreign Affairs be made more use of in development activities. The necessary expertise of Foreign Affairs in relation to development and knowledge of individual countries provides the best basis for deciding on the shape that the activities should take, but the expertise of other departments can be utilised more effectively within that framework. The involvement with countries in Central and Eastern Europe has generated aid arrangements that could perhaps be useable in development relationships. Particularly when it comes to such issues as law and public administration, training and the exchange of experts in the fields of public administration and law (e.g. under twinning arrangements) can be helpful.

The recognition that the development policy is a matter for the long haul and is partly designed to achieve the objectives of Dutch policy in general has a number of consequences. Further knowledge needs to be built up within the Netherlands in order to assess the way in which the set objectives can be achieved. The promotion of good governance is concerned with a complex and interrelated multitude of measures. Not just country-specific knowledge but also the exchange of experience in various countries form part of this process, for example when it comes to devising a well thought-out programme of measures.

If the adopted approach which, under the heading of ownership, emphasises the importance of internalising the aid objectives by the recipient is indeed to become an important condition for success, the Council would emphasise that the other side of the coin is no less important. In order to achieve a successful development relationship in terms of the priorities set out above, there is also every reason for

enhanced efforts on the part of the donor. The desirabilities set out in this section are therefore primarily concerned with the donor.

Needless to say an enhanced effort also means that resources need to be made available. In relation to the total expenditure on development policy the scale can however remain limited. Of concern are the investments required in order to build up the knowledge needed for the furtherance of good governance. The most important consequence is therefore not the rearrangement of money flows but that greater weight is attached to governance and law in current bilateral policy.

The concept of good governance appeals to the contributions that governments can make through their policies towards the rule of law, democratisation and improving the human rights situation. This does not mean that they are the only actor of relevance and is not intended to detract from the influence that can be brought to bear along other lines, e.g. through the work of NGOs. The contribution that NGOs can make towards the establishment of the vital institutions in civil society for democracy and empowerment can hardly be overestimated. Nevertheless, the system of public administration and the legal system remain the most important interfaces between the rights and freedoms under international law and the rights and freedoms that local citizens enjoy in practice. Whether it comes to freedom of expression, religion or suffrage or the right to set up a trade union, the extent to which citizens can put these rights and freedoms into practice depends heavily on the system of public administration and law. The quality of these national characteristics is also essential for the room for manoeuvre of (for example) national and local NGOs and organs of the press. Clearly, transnational NGOs will sometimes have greater scope to induce governments to comply with their obligations under international law and, in many cases, domestic law. This does not however detract from the necessity for priority attention to be given to this in development co-operation via the government-to-government channel.

4.4 CONCLUSION

As was indicated in Chapter 1, the focus of this report is concerned with the improvement of governance, the rule of law, human rights and democracy by means of Dutch bilateral development co-operation. This tells only a limited part of the story, in relation to both development and administration and law. It was indicated that developing countries find themselves increasingly bound up in global interrelationships, which in turn has implications for their development and for the dimensions of administration, law and democratisation. This is not, however, solely one-way traffic: the interrelationships also imply that the West is more rapidly confronted with the consequences of developments elsewhere, in both a positive and a negative sense. This means that problems of stagnation or recession, both in developing countries and in the West itself, are increasingly, and also increasingly rapidly, becoming joint problems. For the West this means that the contribution that it can make to development in other parts of the world becomes less a matter of charity or solidarity and needs instead to be viewed in

terms of donor countries' own public interests. This means that the relationship becomes less arbitrary and free-floating. In a charitable relationship the recipient is in principle utterly dependent on the goodwill of the donor and the conditions attached by the latter to its giving; the recipient is not in the position to exercise any rights. Even in the present situation, with the greater emphasis on ownership, the current development relationships continue to display important traces of this attitude: in order to qualify for debt relief and financial aid governments are *obliged* to define problems and propose solutions for increasing prosperity and reducing poverty. They are also expected to involve various social groupings in the process. Whereas the present asymmetry of interests means that the West remains the demanding party, this relationship is gradually changing in the face of the growing interdependence. The more the parties have a mutual interest the less asymmetrical the relationship will become.

While invoking the universal yardsticks laid down in international conventions is of course fully justified, seen from this perspective this will gain in persuasiveness if the West also abides by these yardsticks. In running their own societies Western countries meet these yardsticks more effectively than most developing countries. The necessary institutions are generally in place and the rules of the game to which these yardsticks lead have generally become the only game in town. When it comes to external dealings the situation is different. Representativeness and democratic decision-making are by no means established in international organisations. The underrepresentation of (among others) the developing countries certainly applies to the Bretton Woods institutions and related organisations, and also to the WTO. Schrijver states that there is a marked discrepancy between what the Western countries call for if not demand with regard to a democratic system and decent governance in developing countries and their willingness to place international governmental consultations and decision-making on a more democratic footing (Schrijver 2000a: 230). According to Schrijver this democratic shortcoming applies not just in a status sense but also to the input of civil society in many multilateral institutions. The need for civil society to be drawn into multilateral decision-making has becoming increasingly desirable if the call for recipient governments to involve social groupings from their own countries in poverty strategies is to be credible. The Western escutcheon is equally not unblotted when it comes to the transparency of – as noted by Schrijver – often oligarchical decision-making or the corruption of investing enterprises in developing countries. The asymmetry in the representation and decision-making in forums of importance for developing countries tends to be translated into trade regulations that do not favour them.

The bilateral development assistance makes only a modest contribution towards the level of funding that is or could be achieved by the developing countries. Greater influence in multilateral bodies such as those regulating trade and investment is more important for these countries than is bilateral involvement. The Dutch government has correctly made it its business to press for this vigorously. The credibility of and receptiveness towards bilateral work would benefit great-

ly from this. At present export opportunities that are vital for development are all too frequently denied developing countries, although development obligations are imposed on those countries. Together with Emmerij (2001) the Council therefore regards this as a core task for the coming period. As indicated by Emmerij, the international economic regionalisation under way in various continents could simplify the problem of representation in the various multilateral bodies. Here too the growing importance that the Western world is itself obtaining in development elsewhere – both in the sense of the reduction of poverty and crime, improving the health situation and improving public administration and law elsewhere – should enhance the willingness to accept more symmetrical relationships. This would also reduce the element of arbitrariness in development relations. The position of the aid recipient could then evolve into more one of a rightful claimant and the reciprocal nature of rights and obligations would gain greater weight in the relationship between the West and the developing world.

This would also place the significance of development assistance in a different light. Where such assistance rests solely on altruism or justice, the basis of support will be vulnerable. The mutual dependence coming to the fore in a globalising world means however that major differences in development can result in serious problems, the adverse consequences of which can also have appreciable repercussions for the Western world. Development co-operation is therefore increasingly becoming a matter of mutual interest. In terms of the public support for development co-operation it is important for this realisation to penetrate more effectively in the Netherlands; political and social support can be enhanced as a result.

LITERATURE

- Aghion, P., E. Caroli and C. García-Peñalosa (1999) 'Inequality and Economic Growth: The Perspective of the New Growth Theories', *Journal of Economic Literature* XXXVII, 4: 1615-1660.
- Boschma, R.A. and G.A. van der Knaap (1999) 'New High-Tech Industries and Windows of Locational Opportunity: The Role of Labour Markets and Knowledge Institutions During the Industrial Era', *Geografiska Annaler* 81 B, 2: 73-89.
- Breman, J. (1999) 'Van ontwikkelingssamenwerking naar internationale armenzorg' ('From development co-operation to international poverty concern'), *Socialisme en Democratie*, 56, 9: 375-387.
- Burnside, C. and D. Dollar (1997) *Aid, Policies, and Growth*, The World Bank, Policy Research Working Paper 1777, Washington.
- Clague, C. (1997) 'The New Institutional Economics and Economic Development', in C. Clague (ed.) *Institutions and Economic Development: Growth and Governance in Less-Developed and Post-Socialist Countries*, Baltimore: John Hopkins University Press.
- Clague, C., P. Keefer, S. Knack and M. Olsen (1997) 'Democracy, Autocracy, and the Institutions Supportive of Economic Growth', in C. Clague (ed.) *Institutions and Economic Development: Growth and Governance in Less-Developed and Post-Socialist Countries*, Baltimore: John Hopkins University Press.
- Corthright D. and G.A. Lopez (2000) *The Sanction Decade; Assessing UN-strategies in the 1990s*, Colorado & London: Lynne Rienner.
- Dollar, D. and A. Kraay (2000) *Growth Is Good for the Poor*, The World Bank, Development Research Group, Washington.
- Dijkstra, A.G. (2001) 'Effectiviteit van Ontwikkelingshulp' ('Effectiveness of Development Assistance'), *Economische Statistische Berichten*, volume 86, no. 4296: 176-179.
- Emmerij, L (2001) 'Goed bestuur als voorwaarde voor ontwikkelingshulp?' ('Good governance as a condition for development aid?'), pp. 205-218 in WRR, *Goed bestuur en ontwikkelingsbeleid*, Reports to the Government no.58, The Hague, Sdu Uitgevers.
- Gros, D. and M. Suhrcke (1999) *Ten Years After: What is Special About Transition Countries?*, HWWA Discussion Paper 86, Hamburgisches Welt-Wirtschafts-Archiv, Hamburg.
- Gross, F. (1998) *The Civic and the Tribal State*, Westport & London: Greenwood Press.
- Hazeu, C.A. (2000) *Institutionele Economie. Een optiek op organisatie- en sturingsvraagstukken (Institutional Economics. A perspective on organisational and directional issues)*, Bussum: Uitgeverij Coutinho.
- Hirsch Ballin, E.M.H. (2001) , 'Good Governance, internationaal recht en internationale samenwerking; over mogelijkheden voor het van buitenaf verbeteren van binnenlands bestuur' ('Good Governance, international law and international co-operation; on possibilities for the improvement of public administration from the outside'), pp. 219-240 in WRR, *Goed bestuur en ontwikkelingsbeleid*, Reports to the Government no.58, The Hague, Sdu Uitgevers.

- Hoebink, P. (2001) 'Good Governance als voorwaarde en doel bij enkele Europese donoren' ('Good governance as a precondition and goal among a number of European donors') pp. 163-204 in WRR, *Goed bestuur en ontwikkelingsbeleid*, Reports to the Government no. 58, The Hague, Sdu Uitgevers.
- Hout, W. and M. Sie Dhian Ho (1997) *Aanpassing onder Druk? Nederland en de Gevolgen van de Internationalisering* (Adjustment under Pressure? The Netherlands and the Consequences of Internationalisation), Assen: Van Gorcum.
- Hout, W. (2000) *Goed bestuur en de '17 van Herfkens'* (*Good governance and the '17 of Herfkens'*), internal paper, to be published.
- Hout, W. (2001) 'Instituten en ontwikkeling' ('Institutions and development'), pp. 85-162 in WRR, *Goed bestuur en ontwikkelingsbeleid*, no. 58, The Hague, Sdu Uitgevers.
- Huntington, S. P. (1968) *Political Order in Changing Societies*, New Haven: Yale University Press.
- IMF and IDA (1999) *Poverty Reduction and Strategy Papers – Operational Issues*, <http://www.imf.org/external/np/pdr/prsp/poverty1.htm>, (e.v.).
- Kadt, E. de (2001), 'Goed bestuur in Afrika; de realiteit in het licht van traditie en geschiedenis' ('Good governance in Africa; the reality in the light of tradition and history'), pp. 241-276 in WRR, *Goed bestuur en ontwikkelingsbeleid*, Reports to the Government no. 58, The Hague, Sdu Uitgevers.
- Kaldor, M. (1997) 'Introduction', in M. Kaldor and B. Vashee (eds.) *Reconstructing the Global Military Sector: New Wars*, London: Pinter.
- Linz, J.J. and A. Stepan (1996) *Problems of Democratic Transition and Consolidation; Southern Europe, South America and Post-Communist Europe*, Baltimore en London: The John Hopkins University Press.
- Lipset, S.M. (1959) 'Some Social Requisites of Democracy: Economic Development and Political Legitimacy', *American Political Science Review* 53: 1, 69-105.
- Lower House of the States General (1999a) *Landenbeleid voor de Structurele Bilaterale Hulp* (*Country Policy for Structural Bilateral Aid*), Letter from the Minister for Development Cooperation, 26th February 1999, parliamentary session 1998-1999, 26 433, no. 1, The Hague.
- Lower House of the States General (1999b) *Landenbeleid structurele bilaterale hulp* (*Structural bilateral aid country policy*), Letter from the Minister for Development Cooperation, 10 November 1999, parliamentary session 1999-2000, 26 433 no. 18, The Hague.
- Lower House of the States General (2000a) *Homogene Groep Internationale Samenwerking 2001 (HGIS-nota 2001)* (*International Cooperation 2001 Homogeneous Group*), Letter from the Minister of Foreign Affairs, 19 September 2000, parliamentary session 2000-2001, 27 405, no. 1, The Hague.
- Lower House of the States General (2000b) *Memorie van Toelichting*, Vaststelling van de Begroting van de Uitgaven en de Ontvangsten van het Ministerie van Buitenlandse Zaken (V) voor het jaar 2001 (Memorandum of Explanation concerning the Adoption of the Budget for the Expenditure and Receipts of the Ministry of Foreign Affairs (V) for the year 2001), 19 September 2000, parliamentary session 2000-2001, 27 800 V, no. 2, The Hague.

- Lower House of the States General (2000c) *Nederlands Multilaterale Hulpbeleid ('Samen werken voor effect; op weg naar een internationale ontwikkelingsarchitectuur')* (*Dutch Multilateral Aid Policy ('Working together for effect; on the road to an international development architecture')*), Letter from the Minister for Development Cooperation, 12 July 2000, parliamentary session 1999-2000, 27 237, no. 1, The Hague.
- Lower House of the States General (2000d) *Sancties in Internationaal verband ('Sancties: een Balans tussen Legitimiteit, Proportionaliteit en Effectiviteit')* (*Sanctions in the International Context ('Sanctions: a Balance between Legitimacy, Proportionality and Effectiveness')*), Letter from the Minister of Foreign Affairs 27 October 2000, parliamentary session 2000-2001, 27 477, no. 1, The Hague.
- Marshall, T.H. (1949; reprinted in 1965) *Class, Citizenship and Social Development*, New York: Doubleday.
- Martin, R. and P. Sunley (1998) 'Slow Convergence? The New Endogenous Growth Theory and Regional Development', *Economic Geography* 74, 3: 201-227.
- Moore, M. and M. Robinson (1994) 'Can Foreign Aid Be Used to Promote Good Government in Developing Countries?', *Ethics and International Affairs* 8: 141-158.
- North, D.C. (1995) 'The New Institutional Economics and Third World Development', in J. Harriss, J. Hunter en C.M. Lewis (eds.) *The New Institutional Economics and Third World Development*, London: Routledge.
- Otto, J.M. (1999) *Lokaal Bestuur in Ontwikkelingslanden (Public Administration in Developing Countries)*, Muiderberg: Coutinho.
- Otto, J.M. (2001) 'Goed bestuur en rechtszekerheid als doelen van ontwikkeling' ('Good governance and legal certainty as development goals), pp. 277-335 in WRR, *Goed bestuur en ontwikkelingsbeleid*, Reports to the Government no. 58, The Hague, Sdu Uitgevers.
- Porter, M. (1999) 'Microeconomic competitiveness: Findings from the 1999 Executive Survey', in: *The World Competitiveness Yearbook*, Institute for Management Development, Genève.
- Pourgerami, A. (1988) 'The Political Economy of Development: A Cross-National Causality Test of Development-Democracy-Growth Hypothesis', *Public Choice* 58, 3: 123-141.
- Putnam, R. (1993) *Making Democracy Work; Civic Traditions in Modern Italy*, New Jersey: Princeton University Press.
- RAWOO (1998a) *Framework for a Ghanaian-Dutch Programme of Health Research for Development*, Publication no. 15, The Hague.
- RAWOO (1998b) *Framework for a Philippine-Dutch Programme of Biodiversity Research and Development*, Publication no. 17, The Hague.
- Rodrik, D. (2000) *Institutions for High-Quality Growth: What They Are and How to Acquire Them*, National Bureau of Economic Research NBER Working Paper Series 7540, Washington DC.
- Rostow, W.W. (1960) *The Stages of Economic Growth: A Non-Communist Manifesto*, Cambridge: Cambridge University Press.
- Rutten, S. (ed.) (1998) *Recht van de Islam (Islamic Law); Texts of the 15th RIMO Symposium held in Leiden on 6 June 1997*, Maastricht: RIMO.

- Schrijver, N. (2000a) 'Democratie in de Volkerengemeenschap', in F. Becker, W. van Hennekeler, M. Sie Dhian Ho and B. Tromp (eds.) *De Toekomst van de Democratie, 21^e Jaarboek voor het Democratisch Socialisme (The Future of Democracy, 21st Yearbook for Democratic Socialism)*, Amsterdam: Arbeiderspers.
- Schrijver, N.J. (rapp.) (2000b) *Draft Fourth Report of the Committee on Legal Aspects of Sustainable Development to the London Conference of the International Law Association*: 9.
- Soto, H. de (1989) *The Other Path*, London: I.B. Tauris.
- Soto, H. de (2000) *The Mystery of Capital: Why Capitalism Succeeds in the West en Fails Everywhere Else*, New York: Basic Books.
- Stewart, F. and M. O'Sullivan (1998) *Democracy, Conflict and Development – Three Cases*, QEH Working Paper Series, WP 15, Oxford.
- UNDP (2000) *Human Development Report 2000*, New York: Oxford University Press.
- World Bank (1998) *Assessing Aid: what works, what doesn't, and why?*, A World Bank Policy Report, Oxford University Press.

REPORTS TO THE GOVERNMENT

First term of office (1972-1977)

- 1 Europese Unie (European Union), 1974.
- 2 Structuur van de Nederlandse economie (Structure of the Netherlands Economy), 1974.
- 3 Energiebeleid op langere termijn (Long-term Energy Policy), 1974. Reports 1 to 3 have been published in one volume.
- 4 Milieubeleid (Environmental Policy), 1974.
- 5 Bevolkingsprognoses (Population Forecasts), 1974.
- 6 De organisatie van het openbaar bestuur (The Organization of Public Administration), 1975.
- 7 Buitenlandse invloeden op Nederland: Internationale migratie (Foreign Influence on the Netherlands: International Migration), 1976.
- 8 Buitenlandse invloeden op Nederland: Beschikbaarheid van wetenschappelijke en technische kennis (Foreign Influence on the Netherlands: Availability of Scientific and Technical Knowledge), 1976.
- 9 Commentaar op de Discussienota Sectorraden Wetenschapsbeleid (Comments on the discussion Paper on Sectoral Council of Science Policy), 1976.
- 10 Commentaar op de nota Contouren van een toekomstig onderwijsbestel (Comments on the White Paper on the Contours of the Future Education System), 1976.
- 11 Overzicht externe adviesorganen van de centrale overheid (Survey of External Advisory Bodies of the Central Government), 1976.
- 12 Externe adviesorganen van de centrale overheid, beschrijving, ontwikkelingen, aanbevelingen (External Advisory Bodies of the Central Government: Description, Developments, Recommendations), 1977.
- 13 'Maken wij er werk van?' Verkenningen omtrent de verhouding tussen actieven en niet-actieven ('Do we make Work our Business?' An Exploratory Study of the Relations between Economically Active and Inactive Persons), 1977.
- 14 Overzicht interne adviesorganen van de centrale overheid (Survey of Internal Advisory Bodies of the Central Government), 1977.
- 15 De komende vijfentwintig jaar, een toekomstverkenning voor Nederland (The Next Twenty-Five Years: a Survey of Future Developments in the Netherlands), 1977.
- 16 Over sociale ongelijkheid, een beleidsgerichte probleemverkenning (On Social Inequality: a Policy-oriented Study), 1977.

Second term of office (1978-1982)

- 17 Etnische minderheden – A. Rapport aan de Regering; B. Naar een algemeen etnisch minderhedenbeleid? (Ethnic minorities – A. Report to the Government; B. Towards an Overall Ethnic Minorities Policy?), 1979.
- 18 Plaats en toekomst van de Nederlandse industrie (Industry in the Netherlands: its Place and Future), 1980.
- 19 Beleidsgerichte toekomstverkenning: deel 1. Een poging tot uitlokking (A Policy-oriented Survey of the Future: Part 1. An Attempt to Challenge), 1980.
- 20 Democratie en geweld – Probleemanalyse naar aanleiding van de gebeurtenissen in Amsterdam op 30 april 1980 (Democracy and Violence – an Analysis of Problems in Connection with the Events in Amsterdam on April 30, 1980), 1980.
- 21 Vernieuwing in het arbeidsbestel (Prospects for Reforming the Labour System), 1981.
- 22 Herwaardering van welzijnsbeleid (A Reappraisal of Welfare Policy), 1982.

- 23 Onder invloed van Duitsland. Een onderzoek naar gevoeligheid en kwetsbaarheid in de betrekkingen tussen Nederland en de Bondsrepubliek (The German Factor, A Survey of Sensitivity and Vulnerability in the Relationship between the Netherlands and the Federal Republic), 1982.
- 24 Samenhangend mediabeleid (A Coherent Media Policy), 1982.

Third term of office (1983-1987)

- 25 Beleidsgerichte toekomstverkenning: deel 2; Een verruiming van perspectief (A Policy-oriented Survey of the Future: Part 2: Towards a Broader Perspective), 1983.
- 26 Waarborgen voor zekerheid; een nieuw stelsel van sociale zekerheid in hoofdlijnen (Safeguarding Social Security), 1985.
- 27 Basisvorming in het onderwijs (Basic Education), 1986.
- 28 De onvoltooide Europese integratie (The Unfinished European Integration), 1986.
- 29 Ruimte voor groei (Scope for Growth), 1987.
- 30 Op maat van het midden- en kleinbedrijf (Tailoring Policy to the Needs of the Small and Medium-sized Business), 1987.
- 31 Cultuur zonder grenzen (Culture and Diplomacy), 1987.
- 32 De financiering van de Europese Gemeenschap (Financing the European Community), 1987.
- 33 Activerend arbeidsmarktbeleid (An Active Labour Market Policy), 1987.
- 34 Overheid en toekomstonderzoek (Government and Future Research), 1988.

Fourth term of office (1988-1992)

- 35 Rechtshandhaving (Law Enforcement), 1989.
- 36 Alloctonenbeleid (Immigrant Policy), 1989.
- 37 Van de stad en de rand (Institutions and Cities; the Dutch Experience), 1990.
- 38 Een werkend perspectief (Work in Perspective), 1990.
- 39 Technologie en overheid (Technology and Policy), 1991.
- 40 De onderwijsverzorging in de toekomst (Educational Support in the Future), 1991.
- 41 Milieubeleid; strategie, instrumenten en handhaafbaarheid, (Environmental Policy: Strategy, Instruments and Enforcement), 1992.
- 42 Grond voor keuzen; vier perspectieven voor de landelijke gebieden in de Europese Gemeenschap (Ground for Choices), 1992.
- 43 Ouderen voor Ouderen; demografische ontwikkelingen en beleid (Demographic Developments and Policy), 1993.

Fifth term of office (1993-1997)

- 44 Duurzame risico's: een blijvend gegeven (Sustained Risks: a Lasting Phenomenon), 1994.
- 45 Belang en beleid; naar een verantwoorde uitvoering van de werknemersverzekeringen (Interest and Policy; to a Responsible Implementation of Employee Insurances), 1994.
- 46 Besluiten over grote projecten (Decision-making on Complex Projects), 1994.
- 47 Hoger onderwijs in fasen (Higher Education in Stages), 1995.
- 48 Stabiliteit en veiligheid in Europa; het veranderende krachtenveld voor het buitenlands beleid (Stability and Security in Europe), 1995.
- 49 Orde in het binnenlands bestuur (On the Organisation of Public Administration), 1995.
- 50 Tweedeling in perspectief (Social Dichotomy in Perspective), 1996.

- 51 Van verdelen naar verdienen; afwegingen voor de sociale zekerheid in de 21e eeuw (From Sharing to Earning. Considerations for Social Security in the 21st Century), 1997.
- 52 Volksgezondheidszorg (Public Health Care. Priorities and a Sound Financial Basis for Health Care in the 21st Century), 1997.
- 53 Ruimtelijke-ontwikkelingspolitiek (Spatial Development Policy), 1998.
- 54 Staat zonder land. Een verkenning van bestuurlijke gevolgen van informatie- en communicatietechnologie (Governments losing Ground. An Exploration of Administrative Consequences of Information and Communication Technology), 1998.

Sixth term of office (1998-2002)

- 55 Generatiebewust beleid (Generationally-aware Policy), 1999.
- 56 Het borgen van publiek belang (Safeguarding the Public Interest), 2000.
- 57 Doorgroei van arbeidsparticipatie (A Continuing Growth of Labour Force Participation), 2000.
- 58 Ontwikkelingsbeleid en goed bestuur (Development Policy and Good Governance), 2001.

Reports nos. 13, 15, 17, 18, 28, 31, 32, 42, 44 and 48 have been translated into English; English summaries are available of Reports nos. 16, 18, 19, 20, 25, 26, 27, 29, 30, 33, 34, 37, 38, 41, 47, 50, 51, 52, 53, 54, 55, 56 and 58; Report no. 23 has been translated into German. Of Report no. 42 a German and a Spanish Summary is available, as well as a full French translation.

PRELIMINARY AND BACKGROUND STUDIES

Below publications in the series Preliminary and Background Studies are listed from the fourth term of office onwards. A complete list of these studies is available on the WRR website (<http://www.wrr.nl>) or at the Council's Bureau (+31 70 3564625). Most studies are available in Dutch only; a number of studies have been published in English.

Fourth term of office (1988-1992)

- V63 Milieu en groei (Environmental Control and Growth) Verslag van een studiedag op 11 februari 1988 (1988)
- V64 De maatschappelijke gevolgen van erfelijkheidsonderzoek (Social Consequences of Genetic Research) Verslag van een conferentie op 16-17 juni 1988 (1988)
- V65 H.F.L. Garretsen en H. Raat (1989) Gezondheid in de vier grote steden (Health in the Four Big Cities)
- V66 P. de Grauwe, A. Knoester, A. Kolodziejak, A. Muijzers, F. van der Ploeg, C.J. Rijvros (1989) De Europese monetaire integratie vier visies (European Monetary Integration Four Visions)
- V67 Th. Roelandt, J. Veenman (1990) Allochtonen van school naar werk (Immigrants from school to work)
- V68 W.H. Leeuwenburgh, P. van den Eeden (1990) Onderwijs in de vier grote steden (Education in the four Big Cities)
- V69 M.W. de Jong, P.A. de Ruijter (red.) (1990) Logistiek, infrastructuur en de grote stad (Logistics, infrastructure and the Big Cities)
- V70 C.P.A. Bartels, E.J.J. Roos (1990) Sociaal-economische vernieuwing in grootstedelijke gebieden (Social economic innovation in the Big Cities regions)
- V71 W.J. Dercksen (ed.) (1990) The Future of Industrial Relations in Europe; Proceedings of a Conference in Honour of Prof. W. Albeda
- V72 Sociaal-economische gezondheidsverschillen en beleid; (Socio-economic differences in health and policy-making) (1991)
- V73 F.J.P.M. Hoefnagel (1992) Cultuurpolitiek het mogen en moeten (Cultural Policy)
- V74 K.W.H. van Beek, B.M.S. van Praag (1992) Kiezen uit sollicitanten (Competition in Seeking Employment)
- V75 Jeugd in ontwikkeling (Youth in Development) (1992)
- V76 A.M.J. Kreukels and W.G.M. Salet (eds.) (1992) Debating Institutions and Cities; Proceedings of the Anglo-Dutch Conference on Urban Regeneration
- V77 H.R. van Gunsteren and P. den Hoed (eds.) (1992) Burgerschap in praktijken (Citizenship in practice)
- V78 F. Bletz, W. Dercksen and K. van Paridon (eds.) (1993) Shaping Factors for the Business Environment in the Netherlands after 1992
- V79 N.T. Bischoff, R.H.G. Jongman (1993), Development in Rural Areas in Europe; The Claim of Nature
- V80 Verslag en evaluatie 4e raadsperiode; 1988-1992 (Report on the Fourth Term of Office 1988-1992) (1993)
- V81 F.J.P.M. Hoefnagel (1993), Het Duitse Cultuurbeleid in Europa (The Dutch Culture Policy in Europe)

Fifth term of office (1993-1997)

- V82 W.J. Dercksen, H. van Lieshout (1993) Beroepswijs Onderwijs; Ontwikkelingen en dilemma's in de aansluiting van onderwijs en arbeid (Vocational education)
- V83 W.G.M. Salet, (1994) Om recht en Staat; een sociologische verkenning van sociale, politieke en rechtsbetrekkingen (On law and state; a sociological exploration of social, political and legal relations)
- V84 J.M. Bekkering, (1994) Private verzekering van sociale risico's (Private insurance of social risks)
- V85 C. Lambers, D.A. Lubach, M. Scheltema, (1994) Versnelling juridische procedures grote projecten (Acceleration of legal procedures for complex projects)
- V86 Centrum voor Studies van het Hoger Onderwijsbeleid, (1995) Aspecten van hoger onderwijs; een internationale inventarisatie (Aspects of higher education; an international survey)

- V87 T. van der Meij, J.H.W. Hendriks, D.J.M. Musters, H.J. de Graaf (1995) Ontwikkelingen in de natuur, Visies op de levende natuur in de wereld en scenario's voor het behoud daarvan (Developments in nature)
- V88 L. Hagendoorn, K. Phalet, R. Henke, R. Drogendijk (1995) Etnische verhoudingen in Midden- en Oost-Europa (Ethnic relations in Central and Eastern Europe)
- V89 H.C. Posthumus Meyjes, A. Szász, C. Bertram, W.F. van Eekelen (1995) Een gedifferentieerd Europa (A differentiated Europe)
- V90 J. Rupnik, P. Hassner, M. Tatu, M.C. Brands, R. Havenaar (1995) Challenges in the East
- V91 J.P.H. Donner (rapp.) (1995) Europa, wat nu? (Europe, what now?)
- V92 R.M.A. Jansweijer (1996) Gouden bergen, diepe dalen de inkomensgevolgen van een betaalbare oudedagsvoorziening (Distribution of income under a sustainable old age pension system)
- V93 W. Derksen, W.A.M. Salet (eds.) (1996) Bouwen aan het binnenlands bestuur (Towards the organization of public administration)
- V94 SEO/Intomart (1996) Start-, slaag- en faalkansen van hoger opgeleide startende ondernemers (Factors determining the chance of success of higher educated starting entrepreneurs)
- V95 L.J. Gunning-Schepers G.J. Kronjee and R.A. Spasoff (1996) Fundamental Questions about the Future of Health Care
- V96 H.B.G. Ganzeboom and W.C. Ultee (eds) (1996) De sociale segmentatie van Nederland in 2015 (Social segmentation in the Netherlands in 2015)
- V97 J.C.I. de Pree (1997) Grenzen aan veranderingen. De verhouding tussen reorganisatie en structuurprincipes van het binnenlands bestuur (Limits to the changes in the organisation of public administration)
- V98 M.F. Gelok en W.M. de Jong (1997) Volatilisering in de economie (Volatilization in economy)
- V99 A.H. Kleinknecht, R.H. Oostendorp, M.P. Pradhan (1997) Patronen en economische effecten van Flexibiliteit in de Nederlandse arbeidsverhoudingen (Patterns and economic effects of flexibility in Dutch labour effects)
- V100 J.P.H. Donner (1998) Staat in beweging (State in motion)
- V101 W.J. Vermeulen, J.F.M. van der Waal, H. Ernste, P. Glasbergen (1997) Duurzaamheid als uitdaging. De afweging van ecologische en maatschappelijke risico's in confrontatie en dialoog (Sustainability as challenge)
- V102 W. Zonneveld en A. Faludi (1998) Europese integratie en de Nederlandse ruimtelijke ordening (European integration and the Dutch spatial planning)
- V103 Verslag en evaluatie van de vijfde raadsperiode (Report and evaluation of the fifth term of office) (1998)
- Sixth term of office (1998-2002)**
- V104 Krijn van Beek (1998) De ondernemende samenleving. Een verkenning van maatschappelijke gevolgen en implicaties voor beleid (The entrepreneurial society)
- V105 W. Derksen et al (1999) Over publieke en private verantwoordelijkheden (On public and private responsibilities)
- V106 Henk C. van Latesteijn (1999) Land use in Europe: a methodology for policy-oriented future studies
- V107 Aart C. Liefbroer en Pearla. Dykstra (2000) Levenslopen in verandering. Een studie naar ontwikkelingen in de levenslopen van Nederlanders geboren tussen 1900 en 1970 (Changes in life cycles. A study on development in the lifecycles of Dutchmen born between 1900 and 1970).
- V108 Bart Wissink (2000) Ontworpen en ontstaan. Een praktijktheoretische analyse van het debat over het provinciale omgevingsbeleid (Policy design and emergence. A practice-theoretical analysis of the debate concerning provincial environmental policies)
- V109 H. Mommaas, m.m.v. M. van den Heuvel en W. Knulst (2000) De vrijetijdsindustrie in stad en land. Een studie naar de markt van belevissen (The leisure industry in city and countryside. A study on the market for entertainment)

Other publications

Voor de eenheid van beleid. Beschouwingen ter gelegenheid van vijftig jaar Ministerie van Algemene Zaken (Unity of policy, 1987

Eigentijds burgerschap (Contemporary citizenship); WRR-publicatie o.l.v. H.R. van Gunsteren, 1992

Mosterd bij de maaltijd; 20/25 jaar WRR, 1997. Appeared in English as Wise before the Event, 1998

