

Public Administration, Governance and Globalization

Ishtiaq Jamil  
Salahuddin M. Aminuzzaman  
Sk. Tawfique M. Haque *Editors*

# Governance in South, Southeast, and East Asia

Trends, Issues and Challenges

 Springer

# **Public Administration, Governance and Globalization**

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Editors

# Governance in South, Southeast, and East Asia

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# Preface

Several chapters in this book were first published in a special issue of the journal *Public Organization Review* (POR, December 2013). As well as containing revised versions of some of these texts, the book contains several new texts. The book therefore addresses a wide scope of contemporary policy and governance issues in South, Southeast and East Asia. In the chapters, the issues are addressed from the angle of specific countries and through comparative studies of several countries (naturally, not all the Asian countries are discussed). Furthermore, the issues are researched using several theoretical perspectives and methods. Many of the chapters were presented at the conference “*Governance and Public Policy in South and South East Asia*”, which was held in Dhaka, Bangladesh and organized by the Master in Public Policy and Governance program at North South University.

Governance is a highly contested concept and the discourse on it encompasses a wide range of issues. Governance can include top-down administrative practices prescribed by national authorities or by transnational and multilateral institutions, but also inclusive practices that allow for greater representativeness and participation by more than just government actors. Sometimes governance practices involve central-state steering or the building of state capacity to arrest the hollowing out of the state; in other contexts the practices may involve decentralizing state power and setting up partnerships with non-governmental actors.

The regions of South, Southeast, and East Asia provide interesting cases to study from governance and policy perspectives because of their diverse nature, not only in terms of size, culture, and geography, but also due to socio-political and economic developments. Some have been very efficient in using state initiatives, combining them with market mechanisms to promote rapid economic development. The Southeast and East Asian nations have been in the forefront of rapid economic development, with China following closely on their heels. The South Asian case, however, presents a puzzle: despite high economic growth, these countries fare poorly on most governance indicators. They display weak redistribution of wealth and thus are failing to reduce the gap between the rich and the poor. As a result of weak governance, South Asia’s citizens suffer from a lack of security and safety, and human development has been poor. Generalized trust in society is weak, and citizens’ trust in some public institutions has been low. This has negatively affected the prospect

of inclusive and representative governance. South Asian civil-service organizations present a case where politicization has caused neutrality, representativeness, and the quality of government to deteriorate.

The chapters in this volume focus on a number of challenging issues ranging from the paradox of good governance, trust in public institutions, administrative reforms, network governance, women in public administration, and the World Bank's worldwide governance indicators and their implications for human development.

The book is a result of scholarly networks that have developed over a number of years. The networks, which have contributed to building North-South and South-South collaborations, have spawned numerous research projects, publications, conferences, and seminars. In this regard, there are several institutions and individuals to whom we owe deep debts of gratitude. We would like to thank the Norwegian Agency for Development Cooperation (NORAD) for generously supporting programs such as the Norwegian Program for Development, Research and Education (NUFU), Norad's Program for Master Studies (NOMA) and now the Norwegian Program for Capacity Development in Higher Education and Research for Development (NORHED). This support has been crucial for bringing together scholars from the North and South, all of whom have contributed to the capacity building of higher institutions of learning, especially in the areas of teaching, research, and knowledge dissemination. We would like to thank our colleagues and friends at University of Bergen in Norway, Tribhuvan University in Nepal, North South University in Bangladesh, and University of Peradeniya in Sri Lanka for the cooperation and support that led to building North-South as well as South-South academic networks. These networks now also extend to Southeast and East Asian regions. All who are involved in the collegial networks share an interest in governance and policy issues, both in terms of conducting research as well as sharing findings with stakeholders.

Special thanks go to Arlyne Moi for her excellent and skillful help in copy editing, and to Hasan Baniamin and Akram Hossain for editorial assistance. We would like to thank the publisher and Ali Farazmand of the School of Public Administration at Florida Atlantic University for encouraging us to expand on the POR special issue and turn it into a book. Finally, we are deeply grateful to our host institutions – the Department of Administration and Organization Theory at the University of Bergen in Norway, and the Department of Sociology and Political Science at North South University in Dhaka, Bangladesh—for providing support and stimulating research environments over the years.

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# Chapter 1

## Introduction

**Ishtiaq Jamil, Salahuddin M. Aminuzzaman and Sk. Tawfique M. Haque**

This book explores and analyzes governance and policy issues in South, Southeast, and East Asia.<sup>1</sup> The authors map governance challenges and analyze current trends from the perspectives of politics and administration. Public administration and governance systems in these regions have undergone phenomenal changes during the last three decades and have played a key role in economic progress, especially in the Southeast and East Asian nations. The state has been the driving force for economic growth and social developments. Despite state dominance, in recent years other actors such as civil society organizations and NGOs, regional and local governments, supra-national entities such as the UNDP and the Association of South East Asian Nations (ASEAN), and other multilateral agencies such as the World Bank and the International Monetary Fund (IMF) are increasingly finding space and setting priorities in policy making. The trend is now a tilt towards more network and multi-level governance. Rich with evidence and analyses, these chapters use empirical and other research methods to examine contemporary issues, trends, challenges, and best-practice paradigms. Their additional aim is to develop a greater understanding of changes in the forms of governance, both within individual national contexts and from a comparative perspective.

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<sup>1</sup> South Asia includes Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. Afghanistan has been considered part of South Asia since 2005. Our broad definition of Southeast and East Asia includes Burma in the west, China in the north, Japan and the Philippines in the east, and Indonesia in the south.

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The regions of South, Southeast, and East Asia contain enormous geographical, cultural, religious, and ethnic variation. They are also “diverse in political and constitutional systems and their performance in managing the economy is uneven” (Haque 2001, p. 1290). Some countries in Southeast and East Asia may already qualify as developed nations, but most of South Asia is beset with poor governance, lack of rule of law, uneven service delivery, and widespread corruption. This is the case despite these countries, in the last decade or so, experiencing steady and impressive economic growth. The huge differences in governance the South, Southeast, and East Asian countries reflect the countries’ unique cultures, history, demography, geography, political development, and economic growth (Cheung 2011, p. 139). Even within each region, we observe huge variations in how governance is practiced. These variations suggest that the trajectories of reforms and governance practices are influenced by the respective countries’ historical and institutional legacies and administrative and political cultures. Cultural features develop gradually and give a system of governance a distinct identity and ‘soul’. Different traditions and values create specific path dependencies; informal values in administrative practices, once established, will influence how policies are designed, formulated, adopted, and implemented.

Authoritarianism is common in most countries in these regions, and most policies are adopted and implemented in a top-down manner. Despite the introduction of NPM reform-measures in public administration, we observe that many policies and the way they are implemented reflect patron-clientelistic features. In fact, in South Asia, paternalism and informal relations are closely connected and have been dominant norms.

*Governance* is now a buzzword in the social sciences, yet it is being imbued with different meanings and used in different ways (Levi-Faur 2012, p. 3; Pierre and Peters 2000, p. 1). We constantly hear phrases such as “good governance”, “global governance” (Bevir 2011, p. 1), “sound governance” (Farazmand 2004), and “good enough governance” (Grindle 2004, 2007). Perhaps the popularity of the term can be chalked up to its inclusiveness: it is broader than the traditional *government* concept, and it encompasses other actors such as non-governmental organizations and civil society (Weise 2000). According to Fukuyama (2013, p. 4), governance means “[a] government’s ability to make and enforce rules, and to deliver services, regardless of whether that government is democratic or not”. This is similar to the definitions used by some multilateral organizations such as the World Bank and the UNDP, for whom governance denotes “the manner in which power is exercised in the management of a country’s economic and social resources” (Weise 2000, p. 797).

The states in Southeast and East Asia are referred to as *developmental states* because of the key role the state has played in the social life and economic development in these countries. The financial crisis which began in 1997 has raised doubts about the capacity of the centralized state to sustain the “East Asian miracle”, calling for new institutional arrangements (Cheung 2007, p. 257). On the other hand, governance in South Asia has been varied; some countries are managing better than others in achieving steady economic growth, ensuring human security and safety, and political stability. Others are lagging behind and unable to maintain the basic

tenets of democracy, despite the fact that most of these countries have adopted democracy as the form of government (Jamil et al. 2013). Some South Asian countries are so beset with internal conflicts and confrontations amongst various groups and political parties that they may be termed ‘weak’ or even ‘fragile’ states.

Having said this, external and internal pressures are spurring reforms and institutional reconfigurations within political bodies and governance across Asia. Cheung (2011) observes an increasing number of reforms inspired by NPM, and good governance is being advocated by international organizations such as the World Bank and the International Monetary Fund. Internal pressures are associated with nation building and a state’s capacity-building processes, as well as with cultural contexts and political and administrative changes. As a result, we observe various implications of governance in the political, administrative, and economic spheres, which in turn have led to variations in governance practices and institutional arrangements. The reformers’ major concerns have been to improve the quality of governance through public-sector efficiency and efficacy, to make the sector more responsive to citizens’ demands and aspirations, to cut public expenditures, and to enhance political and administrative accountability (Christensen and Lægread 2011, p. 1). At the same time, questions arise about governmental inadequacy in setting up and sustaining standards of accountability, measuring performance, and about the means for ensuring the success of reform initiatives (Haque 2000, p. 600).

In our conceptualization, which is highlighted in the chapters in this volume, the focus of governance is on the *capacity of public institutions* (Fukuyama 2013) and *participatory democracy* (Norris 2012). The capacity of public institutions denotes delivering services and responding to citizens’ needs. This may take place both in multi-party democratic countries (such as in Japan) or in authoritarian regimes (many Southeast and East Asian nations, including China and Vietnam). The South Asian states score low on the World Bank’s Worldwide Indicators of Governance (see Khan’s chapter in this volume) as well as on other governance-quality indicators, and they are increasingly failing to deliver in accordance with citizens’ preferences. Consequently, citizens’ distrust of public and political institutions has increased (see Jamil and Askvik in this volume).

Participatory or representative democracy means that a wide range of actors participate in formulating policies. This trend is now unfolding in a number of South-east and East Asian nations, making them more flexible and open to reforms. They are allowing hitherto-discouraged actors such as civic organizations to join in the process of governance, to enter into public-private partnerships and public dialogue. Meanwhile, in the context of South Asian nations, despite an increase in non-governmental organizations and an active civil society, participation in governance has been limited. Paternalistic politics and patron-clientelism in policies have become widespread, leading to corrupt practices and non-accountable, non-transparent government activities.

Governance, as we observe today in South, Southeast, and East Asia, has changed considerably over the past few decades, but numerous challenges loom on the horizon. These developments, present practices, and challenges are summarized in Table 1.1.

**Table 1.1** Nature of governance as practiced in South, Southeast, and East Asia. (Source: Developed by the authors based on the writings of Cheung (2007, 2011))

Nature of governance in South, Southeast, & East Asia			
Region	Historical paths	Contemporary trends	Challenges
South Asia	Break away from colonialism	Widening of scope, allowing others actors to join the process of governance	Establishing rule of law
	More government and less governance, i.e., over-extended and over-centralized state	NPM-inspired reforms allowing civil society and private sector engagement	Fostering citizens' trust in public and political institutions
	Experience with military and authoritarian leadership	Globalization and the primacy of economic growth	Reinventing government and bureaucracy as neutral, goal- and performance-oriented institutions
	Strong bureaucracy based on strong hierarchy	Policy transfer from international organizations in setting the policy agenda for reforms	Political and managerial accountability and transparency of actions
	Regulated economy	Paternalism in politics, leading to patron-clientelistic policy making	Making institutions perform and deliver
		Alliances amongst political parties are dividing nations, leading to infighting amongst various groups	Governance in terms of equity and citizenship rights, and providing human safety and security
			Solving 'wicked' problems (reducing corruption, access to health and education, making mega-cities more liveable, and addressing environmental hazards)
South-east & East Asia	Break away from socialism (Vietnam, Laos, Kampuchea, and China)	State directed economy	Decentralization and power sharing with other societal actors (civil society) in the governance process, i.e., more openness and inclusion
	Statist approach to rebuild nations	Interlocking state-economy-social systems and elites in the process of governance	Pragmatic development in a globalized world, i.e., to adapt governance to the context and needs of each country
	The rise of developmental state	Increased use of network governance as a result of the increase in the number of semi-governmental units	Piecemeal reform measures rather than fast-track reform initiatives

**Table 1.1** (continued)

Nature of governance in South, Southeast, & East Asia			
Region	Historical paths	Contemporary trends	Challenges
	The domination of one-party rule		
	Dominant authoritarian leadership		

As is evident from Table 1.1, the challenges to governance are formidable, especially in the South Asian nations. In spite of becoming wealthier through steady economic growth, these nations are still poorly managed. NPM-inspired reforms are being continuously pursued, yet many of the reforms have their own peculiar dynamics, and learning from mistakes is rare. Public policy making does not reflect citizens' interests, and public officials are not being held accountable for their actions. The major challenge for Southeast and East Asian governance is to open up by allowing other interests to participate in the policy making.

## Contents of This Book

The chapters in this volume emphasize that (a) for any country; governance processes have particular histories and legacies and are influenced by contextual frameworks. In other words, there is no universal form of governance, and each case is significantly affected by the respective country's culture and history. (b) There appear to be some paradoxical propositions and trends in the contemporary discourses and empirical observations on governance. The puzzle of governance is that some economies are doing tremendously well despite weak governance. (c) Governance is a product of its own 'ecology', and it tends to maintain a particular pattern. (d) Civil society organizations are emerging as strong actors to develop the demand side of governance. (e) There are some common challenges in addressing governance issues, especially in terms of policy formulation and implementation. (f) Public management reforms can be potential tools for improving governance, and it should be possible for governments to learn from each other's successful endeavours. (g) Piecemeal reform measures are more likely to succeed because in contrast to across-the-board reform initiatives, they can be adapted to local governance needs.

## Is Good Governance Good Enough?

**Ali Farazmand's** introductory chapter, "Sound Governance in the Age of Globalization", sets a theoretical and practical tone for the discussions in this book. He raises the question of why governance has now become a key theme for discussion,



rather than “before the stampede of globalization”. He prefers the application of “sound governance” over “good governance”, which is the term prescribed by globally dominant institutions like the World Bank, the International Monetary Fund, USAID, and others. He argues that what is good for global institutions or advanced industrialized countries may be “bad or ugly” for developing or less developed nations.

## History and Context Matter

Although discourse and discussion on governance have entered the limelight in the 1990s, they have a long history. Ancient and medieval political philosophers developed various perspectives on the better forms and functions of government in relation to given contexts. **Tawfique Haque** could be said to continue this tradition by analyzing the concepts of power and authority from South Asian perspectives. He explores the South Asian forms of governance on the basis of Hindu and Muslim political thought, making comparisons between them and analyzing how the relationships between the ruler and the ruled are conceptualized.

## The Paradox of Good Governance

Good governance has been on the policy agenda of all countries and has been advocated by international organizations such as the UN, OECD, World Bank and IMF, being seen as an essential and necessary ingredient of economic growth and progress. However, experiences from South Asia and China reveal that economic progress has taken place without a simultaneous increase in the quality of governance. **Akbar Ali Khan**’s chapter discusses this conundrum: despite poor governance as measured according to the World Bank’s worldwide governance indicators, South Asia and China have demonstrated remarkable economic progress and growth. Another author, **Haroon Khan** analyzes the relationship between good governance and human development in general as well as in the context of South Asia, arguing that good governance is crucial for improving human development; without it, the objectives of good governance cannot be realized.

## Citizens’ Trust in Public Institutions

Citizens’ trust—usually understood as an indicator of governance quality—is analyzed by **Ishtiaq Jamil** and **Steinar Askvik**. They ask whether social capital or governance quality matter for citizens’ confidence in government institutions. Their findings coincide with those from other studies showing that good governance matters for generating citizens’ trust in government.

## The Ecology of Governance

**Salahuddin Aminuzzaman** discusses the question of how Bangladesh could achieve impressive and steady economic growth despite its struggle with corrupt practices such as poor governance and widespread patron-clientelism. This puzzle can be understood if we observe the policy making process, especially the policy formulation stage and how it is influenced by external demands, globalization measures, and internal commitment from the highest political leadership. Similarly, **Shamsul Haque** argues that behind NPM and post-NPM led reforms in Southeast Asian countries, there are external factors such as globalization that may have led to the neo-liberal reconfiguration of the state and the market-driven reinvention of state policies. Haque explains how the linkages between the globalization process, state formation and transformation, and public sector reinvention have led these states to embrace neoliberal reforms.

## CSO as Partners of Policy Networks and Governance

Civil Society Organizations (CSOs) are emerging as strong actors on the demand side of governance. CSOs have the potential to positively collaborate with governments. They seem to have their own cultural characteristics, so the degree and nature of collaboration would vary at the level of economic and social development and in light of the political milieu. **Habib Zafarullah** discusses the rise of civil society organizations in Asia and how they interact and are involved with the government in policy networks. They are making significant inroads in social development policies, especially in areas such as healthcare, education, environmental protection, and citizens' empowerment, but experiences vary from country to country.

Similarly, concentrating on four large cities in South, Southeast, and East Asia (Tokyo, Seoul, Manila, and Dhaka), **Yutaka Tsujinaka**, **Shakil Ahmed** and **Yohei Kobashi** analyze how CSOs collaborate with governments through institutional mechanisms. Based on a large longitudinal data set, this research team argues that institutional arrangements have a positive impact on collaboration in developed countries. CSOs in Tokyo have better combined collaborative and institutional processes than those in the other three cities. Governance in Seoul is more polarized than in the other cities, and while CSOs in Manila and Dhaka have a high degree of institutionalized relations with the government, they still do not collaborate much with it. CSOs are also a topic of concern for **Mei Li** in her chapter on China. She discusses the challenges of reforming state-run and not-for-profit Public Service Units (PSUs), arguing that decentralization will continue to be an unavoidable reform strategy as China strides towards good governance in public service delivery.

## The Challenges of Policy Formulation and Implementation

Even when a government sets up constitutional guarantees and a policy framework, if government agencies do not comply with the policies, or only to an insignificant degree, this will result in poor governance, and problems such as discrimination will not be solved. **Lasna Kabir** presents just such a scenario based on a study conducted in Bangladesh, India, and Pakistan. The study pursues the question of why so few women are found in the higher echelon of bureaucracy, despite the constitutional guarantee of equal rights and opportunities. Among other factors, the dominant socio-political culture imposes a permeable glass ceiling that blocks true gender representation in the public administration systems of these countries. **Santosh Mathew** and **Mick Moore** present a different case of policy gone awry: in the state of Bihar in India, certain political insiders intentionally weakened some aspects of the state's capacity in public service delivery—merely for sake of a narrow electoral gain.

## Policy Learning and Design

Of course governance is conceptualized and practiced differently in different contexts. Nevertheless, despite the variance of conceptions, there is a great deal of consensus on the basic tenets of good governance. These, however, are poorly implemented in many developing countries, and the outcomes of many reforms have been unsuccessful. This may be due to reformers making overambitious demands about what governance should achieve, thus making it difficult to operationalize governance and its uses. In this regard, **Ahmed Shafiqul Haque** argues that many of the desired values of governance can be attained through the effective design and implementation of public management reforms. The case of Hong Kong demonstrates that public management reforms can be potential tools for updating and adjusting the structures and practices in developing countries. They can, he argues, help ensure the benefits of the desired values of governance, yet without taking the enormous risks that are involved in making and implementing decisions based on entirely political considerations.

In the concluding chapter, **Salaluddin Aminuzzaman**, **Ishtiaq Jamil** and **Sk. Tawfique Haque** contend that governance matters for the growth outcomes of developing countries. There is, however, a need for a tailored approach to governance reform—one that can maximize the impact and outcome of development.

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## Chapter 2

# Governance in the Age of Globalization: Challenges and Opportunities for South and Southeast Asia

Ali Farazmand

### Introduction

Governance and public administration are as old as human civilizations, which originated in this old continent of Asia. Both concepts have evolved significantly, from government and public administration to governance and administration or management today. Indeed, replacing or substituting governance for public administration has become a fashionable trend in academic as well as practitioner' circles worldwide. This begs a key research question: "why 'governance' now, what about public administration, and why they have become so important today in the process of governance now?" This is a question in need of serious investigation and analysis, a task beyond the scope of this chapter—I have addressed it in another paper, "Globalization and Governance" (see Farazmand 2007, 2009), in which it is hypothesized that the concept of 'governance is directly related to the rise of contemporary globalization', "a process through which worldwide integration is taking place" (Farazmand 1999, p. 209), with public administration as a central moderator (see Farazmand 2004, 2007, 2009, 2014).

The role of government has been changing rapidly in the last two-three decades. As one of the central issues of our time, this change as well as the process of governance and administration has become the hallmark of the age of accelerated globalization, however defined. The traditional and historical role of state and government has been altered, and the changed nature of government has also altered the nature of governance and administration processes; it has resulted in a profound transformation of the philosophy, functions, and institutional foundations of governments almost everywhere in the world.

Globalization of capitalism, "a process through which worldwide transformation taking place," seems to be playing as the central driving force behind these multiple changes and transformation. Globalization of corporate capitalism is a process that

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transcends nation-states, economies, markets, institutions, and cultures. While nothing totally new, the process of globalization is accelerated by a number of contributing factors or forces that include: technological innovations; declining domestic economies of powerful industrialized countries of the North; the military and political pressures as well as wars of the latter nations on the third world countries of the South; the fall of the former Soviet Union as an alternative world system power; the role of western ideological propaganda; the role of the United Nations' agencies such as International Monetary Fund (IMF), the World Bank (WB), and World Trade Organization (WTO); international donors, including the USAID; the rising citizen expectations, including labor demands for sharing power in management and organizational democracy; and availability of new cheap labor force across gender and racial groups worldwide (see Farazmand 1999, 2007; Hoffman 2006; Huntington 1996).

The rise and acceleration of this global phenomenon has not been without its counter phenomenon. After all, the law of dialectical process always works one way or the other and catches up with history. About half a decade ago (Farazmand 2004, p. 1), I observed: "with the acceleration of globalization process has also developed a worldwide grass-roots movement of counter-globalization. This is a global movement that aims at reducing the adverse impacts of globalizing corporate capital, containing and reducing the massive fall-outs of globalization such as environmental degradation, economic pillage, poverty, forced labor, child labor, and wage slavery." In 2012, the world witnessed this global movement of anti-capitalism dubbed 99% v. 1%, embracing a much broader concept of protest against the political and economic orders of the day—this global movement will likely continue in the future as the crisis of capitalism deepens worldwide. The transformation of government and administration has deeply challenged governance and public administration processes, structures, and values everywhere, and the need for capacity building, enhancement, and innovation in policy and management has become more urgent than ever if governments are to meet and manage the challenges of globalization. What is needed is application of a new concept of "sound governance," not good governance.

This chapter addresses governance and offers a novel concept of "sound governance" in the age of increasing global complexities, challenges, threats, and opportunities that affect nation-states, local governments, citizens, organizations, and administrative systems, with implications for south and southeast Asia.. It argues for innovations in policy, governance, and administration as part of capacity building for the twenty-first century. Although the focus is on governance, it is administration that makes or breaks governance. The discussion in the paper is framed in four major sections, followed by a brief conclusion with several suggestions or lessons: (1) key concepts of governance with a multitude of diverse notions of the term; (2) "sound governance" with major dimensions, key issues, and characteristics; (3) challenges and opportunities, with implications for South and Southeast Asia; and (4) a brief conclusion outlining some suggested lessons for effective governance and development in the South.

## **Governance: Good, Bad, and Ugly?**

The concept of governance has met at least three faces: the good, the bad, and the ugly, none of which offers a thorough and comprehensive perspective. More on the latter later, but diversity and confusion over what governance means abound. Diversity and confusion in concepts have characterized government and governance for several decades, as different conceptual and ideological perspectives on governance and administration offer meanings of their own. These concepts provide opportunities as well as constraints or challenges: Opportunities are presented by the creativity and innovation in conceptualizing the notions of governance and administration, and contributed to a fresh body of new knowledge on the subject. This is a healthy discourse that can lead to better solutions to public policy and organizational problems, but the diversity of concepts also produces new challenges and constraints that add new dimensions to the theory and practice of government and administration. First, confusion reigns with different viewpoints, especially when there is no consensus as to what for example governance and administration means or should be. Second, adoption of certain specific concepts or notions may lead to their prominence and dominance while this may not necessarily prove their superiority over alternative models overlooked or ignored. An example of this problem is the worldwide adoption of the corporate sponsored concept of the new public management (NPM) with the prescription of sweeping privatization imposed at home and on developing nations—the opportunity cost of adopting alternative models (as opposed to NPM) was ignored. Third, constraints and challenges arise when the search becomes endless and self-serving. reform for the sake of reform may be senseless, costly, and wasteful. Yet, concepts are worth examining.

## **Concepts and Confusions**

Some of the most commonly known concepts of governance or government appeared in the literature include good governance, entrepreneurial government, competitive government, market-based governance, economic governance, meta-governance, social and political governance, enabling governance, participatory governance, regulatory governance, interventionist governance or government, and steering government versus rowing government. Central to all these concepts is a claim to rejecting the traditional forms of authoritarian, bureaucratic government with unilateral decision making and implementation. These models or concepts of governance and government present “new” ways of thinking, governing, and administration, with new philosophies, and new approaches that claim to broaden citizen involvements, their feedbacks, and bringing in the playing field the civil society and nongovernmental organizations. For example, the entrepreneurial models of government or governance focus on market approaches with emphasis on market-like competition among public organizations, results-oriented outputs, performance



measurements, empowering managers to fire and hire temporary employees, privatization, efficiency, steering government versus rowing government, and getting rid of bureaucratic rules and regulations. Osborne and Gaebler's popular book, *Reinventing Government* (1992) set the tone for the sweeping changes and reforms that have characterized much of the changing character and role of governments for the last two decades; governments have been spending lots of time and money to reinvent themselves.

A corollary of this globalized reinvention business—government that reinvents itself, or is reinvented—has been the British born ideological movement of the “new public management,” which should be viewed as an intellectual arm of the globalization of corporate capitalism. I have detailed this issue elsewhere (see, for example, Farazmand 1999, 2001, 2002a, b, 2007, 2009, 2010). The key tenets of the “new public management” (NPM) emanate directly from its intellectual source of the conservative, neoclassical economic theory of ‘public choice’ (Buchanan and Tolluck 1962; Niskanen 1971; Downs 1962; Williamson 1985), which prescribes against bureaucracy, public service delivery through government organizations, and social capital expenditures, and in favor of sweeping privatization, consumerism, individualism, and larger military-security expenditures to promote the system of corporate capitalism.

What the proponents of NPM ignore or avoid is the debatable issues of equity, fairness, accountability, monopolistic or oligopolistic nature of runaway globalizing corporations, and other political economy questions that public choice theory is criticized for. They follow the same argument in favor of transforming governance and government into a market-like organizational arrangement in which the business corporate sector takes over the business of government and public service delivery while avoiding the social and externality costs of such business, therefore dumping the unprofitable and social-cost operations on the government to pay for, and with citizens paying double taxations (See for example, Hood 1991; Barzelay 2001; Behn 2001). Who will pay for these costs, and how should these costs be assessed in the overall calculus? Will the end of the day governments be more efficient and effective, or democratic and responsible? These questions are lost in the perfect storm of corporate capitalism that has swept the nation states. However, the concept of new public management has already met its severe critics, whose reports worldwide show how flawed this new idea of the old bottle is—its defect in addressing such issues as effectiveness, accountability, quality, fairness, representation, and the like (see, for example, the Final Report of the IASIA-IIAS 2001 conference in Athens, Argyriades 2001).

A second group of concepts on governance has appeared in the writings of social scientists as well as by the UN sponsored projects, seminars, and workshops world-wide. For example, Peters (1996) keenly detects four conceptualized models of governance that have appeared in the body of literature: market model, participatory model, flexible government, and deregulatory government, each of which has significant structural, managerial, policy making, and public interest implications distinct from others, yet overlapping on many features. Another example is the concept “social and political governance” and “mega governance” as distinct models



that purport to emphasize interactions between government and society in a so-called chaotic, changing world characterized by diversity, complexity, and dynamics (see the collection of essays in Kooiman 1993), or “governing as governance” (Kooiman 2003), which reshuffles old ideas into configuration with emphasis on governing. Public management, administration, and governance are not neutral concepts; they embody ‘normative values’ and carry consequential outcomes (Wamsely 1996). In a similar fashion, the United Nations Development Program espoused, through numerous seminars, workshops, and working papers, extended the notions of economic governance, political governance, social governance, and administrative governance. These notions constituted, it was claimed, the elements of systemic governance, an idea that “encompasses the processes and structures of society that guide political and economic relationships” for multiple purposes, including the promotion of ‘good governance’ (see, for example, UNDP 1997a, b, pp. 9–10).

Following this trend, the notion of “good governance” entered the jargon group. The concept of “good governance” as espoused and promoted by the United Nations agencies such as the World Bank, International Monetary Fund, UNDP, and UNDES as well as by most global corporations and Western governments through their international organizations like AID, became one of the most pressing requirements on third world countries in Asia, Africa, and Latin/Central America as a condition for international assistance (Amsden 2007; Hamilton 1989). Developing and less developed nations were required to implement, as part of the structural adjustment programs (SAPs) the idea of good governance. Under the instructions and pressures of donor institutions of the North (western governments and corporations), the United Nations enforced the demand and required countries on the South to adopt the notion of “good governance” by implementing a number of structural and policy reforms in their governments and society as a condition for international aid. Seminars, workshops, and conferences were held worldwide that stressed the concept and demanded results for market-based sustainable development (see, for example, UNDP 1997a, b, 2000). However, the concept of “good governance” evoked serious criticisms as well as praises worldwide—it met its own enemies at the front doors. Good governance for whom, and bad for whom? And still “ugly governance” too? These are key questions raised by social scientists and critical politicians. For example, the former president of Tanzania, Julius K. Nyerere, in delivering the keynote address at the UN Conference on Governance in Africa in 1998, severely criticized the notion of “good governance” as an imperialistic and colonizing concept. He viewed it as an imposing concept developed and forced upon developing and underdeveloped countries of Africa by the industrialized Western colonial powers and transnational globalizing corporations. According to him, these donor corporations and governments as well as their UN instrumental organizations had viewed that governance in Africa was “bad” and decided that they should be reformed into “good” by expanding the private business sector through privatization and paving the ways for globalizing corporate capitalism that seeks high profits in an integrated global market system at any cost (see the UNDESA [Department of Economic and Social Affairs] 1998).

Hence, the words Bad and Ugly also entered the lexicon of governance. Good governance and Bad governance for whom? If these nations refuse—well, most cannot due to their deep dependency on the Western powers—then they would be dubbed ‘bad’ governments, and they embrace and implement the dictated from top would be viewed as practicing ‘good’ governance? But then, would such a practice be viewed by indigenous people as ‘bad’ governance? They should, as history has repeatedly shown the last 200 years of colonialism and neocolonialism and imperialism. The three historical examples of 1953 Iran, 1964 Indonesia, and 1973 Chile clearly illustrate the true nature of ‘ugly governance’ in modern history—all three ushered a prolonged process of ‘deadly, fascist type, and ugly governance’ that were affront to humanity, history, governance, and civilization; and all three were organized, supplied, supported by the formally self-declared civilized ‘democratic governments’ of the West through their violent instruments of blood-stained military coups that toppled democratically elected and legitimate ‘good governments’. Their new dictators like the Shah of Iran, Suharto of Indonesia, and Pinochet of Chile served their Western masters well by practicing ‘ugly governance’ at its best and at the expense of their own people’s blood, poverty, repression, indignity, and plunder of national wealth—hence governance nonetheless.

It is this deficiency and other problems of good governance, bad and ugly governance, as well as of other notions of governance, that has encouraged adoption of an alternative concept of “sound governance” in this chapter and elsewhere (Farazmand 2004).

## Defining Governance

The concept of governance has also received different definitions. For example, UNDP (1997a) defines governance as “the exercise of political, economic, and administrative authority to manage a nation’s affairs. It is the complex mechanisms, processes, relationships, and institutions through which citizens and groups articulate their interests, exercise their rights and obligations and mediate their differences” (p. 9). Accordingly, “governance transcends the state to include civil society organizations and the private sector, because all are involved in most activities promoting sustainable human development” (UNDP 1997a, b, p. 11). This definition identifies three key components of governance: the state and its institutions, the civil society organizations that were traditionally left out in the past governing systems, and the private sector supposedly not involved in the governing process or dynamics before. Scholars as well as supra-governmental institutional organizations such as the UNDP, WB, IMF, WTO, and others have followed the concept ‘governance’ to the point that it became a buzzword subject of the national and international conferences, seminars, and workshops, as well as a key word for grant writers seeking research and conference funding for papers, seminars, reports, and books. Conferences organized by UN and affluent governments, often sponsored by global corporations, promoted this notion cognitively and disseminated it worldwide (See, for example, Farazmand 1999).

While the concept “good governance” has faded as recently, the concept “governance” has gained more popularity worldwide, and this attention is also noticed in the public administration literature around the globe. Governance has come to supplant the concepts administration, or public administration. The two concepts have also been used in companion and in many cases as a replacement for public administration. The 2012 ASPA conference also adopted ‘governance’ as a major theme. Similarly, “governance” has been used in the public administration scholarly literature in a growing fashion. Examples include Kettl (1993), Osborne and Gaebler (1992), Peters and Savoie (1995), Peters (1996), Frederickson (1997), Farazmand (1997), Kooiman (2001), Salaman (1989) and others—governance has also come to display an “increasing negative attitude toward public administration” (Wamsely 1996, p. 368), to cover for the negative connotations often associated with public bureaucracy and red tape in public administration. These points are presented by perspectives on this shifting trend in use of governance and public administration, albeit with different purpose in mind. For example, Osborne and Gaebler write that “this is a book about governance, not politics” (1992, p. 247). Here a dichotomy of politic and administration or rather governance is presented and it is a problem. Also, the authors confuse readers by misapplication of the term governance with administration by assuming the two being the same, or assuming it as a concept that subsumes both politics and administration (Frederickson 1997). The contemporary shying away from, or hesitation with, the use of the traditional public administration concept, and the more inclusivity of governance may have some advantages, but they also raise problems of confusion—for example, like management, governance applies to corporate and business governance. Should we not use the prefixes of ‘public’ or ‘private’ governance—we should.

The deficiency with the concept “good governance” stems from at least two factors. One is that interaction of only three forces or elements are considered to constitute good governance—the interaction among the state, civil society, and the private sector. This triadic interaction ignores perhaps the most important force affecting governance in developing and less developed nations, that is the international/global power structures, the globalizing state power and the transworld corporate elites that dictated policies on other nations. This international or global power structure has had a firm grip over and dominated the politics and economics of the developing and less developed nations and their cultures for over two centuries. As a neo-colonial global power force, it has replaced the nineteenth century colonialism with new imperialism, and has through technological, political, economic, and military interventions interfered and replaced independent, legitimate, sovereign governments in the third world nations over and over throughout the twentieth century and in the twenty-first century, as the regime change by wars and violence continue in the Middle East to this day. Governance in developing nations is more dominated by these global forces, and less domestic dynamics. Similarly, in advanced nations of the North, corporate elites dominate the governance process at macro levels. It is the “logic of force and coercion” rather than mutual respect and tolerance that rules international/global as well as domestic governance processes (Korten 2001; Hoffman 2006). This is a potentially dangerous epochal era of global politics and administration that tends to return humanity and civilizations back to the ancient and

even barbaric ages. Even the UN has become an instrument of this logic in global governance. The second problem with “good governance” is its heavily loaded normative values—what is good and what is bad and for whom?—as defined by global power elites (Hardt and Negri 2000; Hauffman 2006; Parenti 2010). The concept is also misleading because of the double standards often applied by the more powerful in global arena—dictators serving our interests are praised and their atrocities are ignored, while unfriendly democrats (elected by the will of their own people) determined to stay free and independent are threatened with sanctions, violence, and even wars of invasion.

## Sound Governance

“Sound governance” is offered as an alternative to the term ‘good governance’ for several reasons. First, it is more comprehensive than any other concept reviewed earlier, and includes the important global or international force of governance. Second, it includes the normative as well as technical and rational features of good governance, but it presents a balanced view of governance that is less biased and takes into consideration the genuine features of indigenous governance systems that may be at odd or conflict with the globally dominant neo-colonialist power structures and their prescribed models of governance. In other words, a government or governance may be sound and yet its value system in conflict or at odd with foreign, globally domineering interests and their interventionist policies. Third, the concept ‘sound governance’ has all the quality characteristics of governance that is superior to good governance and is sound technically, professionally, organizationally, managerially, politically, democratically, and economically. It is also sound in terms of capacity, anticipatory behavior, democratic in character, responsiveness and competence, and cultural values embedded in societal values and structures. Fourth, sound governance is in accord with the constitutional values and responsive to international norms, rules, and regimes. Good governance as defined by its proponents overlooks this important constitutional feature that bounds nation-states and sovereign governments. Sixth, the concept sound governance has an ancient origin in the First World-State Achaemenid Empire of Persia with a highly efficient and effective administrative system (Ghirshman 1954; Olmstead 1948; Cameron 1968; Frye 1975; Cook 1983; Farazmand 1998). According to Darius the Great, successor to Cyrus the Great, “no empire can survive much less prosper without a ‘sound economy and sound governing and administrative system’.” Darius the Great has gained a high reputation among historians as also a Great Administrator (Cameron 1968; Cook 1983; Frye 1975; Olmstead 1948).

As a broader and comprehensive notion of government and administration, sound governance means more than the terms government and governing, and good governance. It includes the state as an enabling institution, the constitutional framework, the civil society, the private sector, the engaged citizens, and the international/global institutional structure within limits. “Sound governance”

is therefore inclusive and promotes participation and interaction in an increasingly complex, diverse, and dynamic national and international environment. Hence, the concept “soundness” is used to characterize governance with superior qualities in functions, structures, processes, values, dimensions, and elements that are necessary in governing and administration. Governing refers to the function of governance by whatever actors or authorities or institutions, including nongovernmental ones, whereas governance consists of process, structure, value, management, policy, and administration. Hence, the concept sound governance is used here to denote a systemic process of government that is not only domestically sound, but is also sound internationally/globally in its interaction with other nation-states on an independent and self-determining fashion. Sound governance here reflects both governing and administrative functions with sound organizational and managerial performance that is not only current and competent but also anticipatory, responsive, accountable and transparent, and self-corrective.

## **Dimensions of Sound Governance**

Several elements or dimensions characterize sound governance with diversity and complexity. Diversity provides sound governance systems with opportunity to receive feedback from opposing dialectical forces that serve as mechanisms of checks and balances; it also injects new bloods into the system and promotes innovation and creativity. Complexity develops as a result of dynamic operation of diversity and increasingly entering number of external and peripheral forces that challenge the operation of the governance system. Complexity is a by-product of increasing interactions among dialectical forces that keep the energy field of governance system busily active. This process leads to varying degrees of intensity within the governance system, in its international operation, and in its dynamic responses to the external environmental pressures, opportunities, and constraints, locally and globally. Conversely, the more the externally received pressures, the more challenges and constraints. External constraints can also stimulate internal strength by pushing systems to develop self-generating capacities that contribute to system’s antibody—they turn constraints into opportunities. Elaborate discussion of the key dimensions or elements of sound governance is avoided here due to space limitation; they are only outlined here and readers interested in more details of the concept are referred to the author’s two earlier works provided in the reference (see Farazmand 2004, 2012a, b).

Accordingly, the dimensions of sound governance include (1) process that involves governing with the interaction of all elements or stakeholders involved; (2) structure with a body of constitutive elements, actors, rules, regulations, procedures, decision-making frameworks, and authoritative sources that sanction or legitimate the governance process; (3) cognitive and value dimension that represents the unique or deviant value system of the governance structure or process; (4) constitution as perhaps the blueprint and most important structural dimension of sound

governance, with the challenge of “formalism” so prevalent in both developed and developing nations’ governance systems (see Riggs 1994, 1966 on this); (5) organizations and institutions as the key instrumental back-bone properties of sound governance (Scott 2008; Farazmand 2014); (6) management and performance serving as the engine of that backbone in governance; (7) policy—both macro strategic and micro operational policies—that gives the elements or dimensions of process, structure, and management sound guidance, direction, and steering; (8) international or globalization forces forming a formidable dimension of sound governance, especially in the age of predatory globalization (examples being not only the United Nations and its various agencies and organizations scattered worldwide, such as International Labor Office, World Food Organization, World Health Organization, World Bank, International Monetary Fund, and World Trade Organization, but also a multitude of governmental such as the USAID and OECD, and non-governmental and grassroots global movement organizations concerned with environment, poverty, health and hunger, and human rights and injustice, ones that may be part of the global movements of “counter-globalization” and “glocalism” and represent the antithesis of globalization); (9) ethics, accountability, and transparency as the cardinal principles of sound governance; and (10) participation and citizen engagement that serve as the essential requirement for practicing sound governance—no governance can survive long enough without the consent of its people, and citizen participation provides that essential requirement that can be secured through various collaborative organizational forms with various degrees (see Farazmand 2012a, b for more detail).

## **Challenges and Opportunities for South and South East Asia**

There is a multitude of challenges facing ‘governance’ and sound governance in the twenty-first century. This is very true for most developing nations, especially in Asia. These challenges emanate from all sources, locally, nationally, regionally, and internationally or globally. While many challenges have local solutions because they involve local issues (e.g., flood control, population density, urban–rural divide, urban governance and administration, or public management), others have multiple sources involved, especially regional and global ones and demand national and international solutions. This means an imperative for regional and global cooperation.

The current world is in deep crisis with multiple dimensions. One is urban population explosion—a global challenge in need of global attention and help. Another is the rising poverty and increasing urbanization, with consequences of poor health, environmental degradation, child and human trafficking, and exploitation. Wars and exacerbated ethnic and racial conflicts constitute another challenge of the twenty-first century. Predatory globalization—of corporate capitalism or otherwise—has more than doubled the challenges already in place. Still another is the issue of “governability crisis,” a crisis that has eclipsed most countries of the Western world,



with many negative consequences for developing and less developed countries in the age of globalization. This global crisis of governability is mostly a result of the North South divide, and the global crisis of capitalism which is intensifying as we speak (see for more details on these global crises, Farazmand 2007, 2009, 2012a, b, 2015). These and other related crises have massive implications for governance in poor and less developed nations of Asia and Africa, and Latin America, where globalization—with a power of the North over the South—has deeply penetrated and affected.

Therefore, a new “governance dilemma” has emerged—governing in an age of massive dissent and global uprising trying to reclaim power from the 1% ruling elites, rising citizen expectations, massive migration crises, ethnic and regional conflicts or wars, and doing impossible things with little or no resources. This new challenge raises a big problem of ‘contradiction’ between ‘capitalism and democratic or good governance,’ hence another case for “sound governance,” which would serve people/citizens better if engaged directly or indirectly. The contradiction is born out of the imbalance between too much emphasis in governance and governing on the need for order and social control and coercion, cheap labor, exploitation of human and environmental resources for absolute rates of profit and surplus values, on the one hand, and the need for creating employment and providing a healthy society to legitimize ‘governing’.

This irreconcilable contradiction is inherent in the nature of capitalism and has been exacerbated by the rise of “predatory capitalism” in the age of rapid globalization dominated by the key Northern powers (see Farazmand 2012a). This logic of collective action—corporate globalization of the world for absolute profit and power—has eclipsed much of the progress in governance and sound governance during the last 30 years or so. In this process, many institutional barriers have also made the challenges more severe. Unfortunately, the role of UN, WB, IM, WTO, and other international organizations have not helped much as most of these and similar organizations have agenda of their own or are influenced heavily by the global power structures that characterize the global hegemony in all fronts (Agnew 2005). Further, unfortunately, many new problems (AIDS, double standards in global conflict resolutions, wars, and more) have increased rather than decreased—contrary to the optimist proponents of corporate globalization of the world (see Friedman 1999; also Farazmand 1999, 2012a, b). In fact, we may have entered a new phase of predatory globalization—an age of “madness, intolerance, and global tyranny” (Farazmand 2012a, b). To survive in this age of madness, intolerance, ideological sickness, and global tyranny is a whole new set of challenges that require building individual human and organizational as well as national capacities.

Are there any solutions to these problems or challenges? Yes, there are, but they are too many to discuss in this short essay. To be brief, two strategies can deal with these challenges: one is sticking to the local issues, thinking locally while being globally minded, by engaging people and citizens directly in communities, locally and nationally—people are the most important assets in governance and governing. Second, engaging national and regional issues of governance challenges at regional

and global levels—engaging regional nations and international institutions like the UN, ILO, WTO, WB, IMF, and many others. Building partnership schemes with regional and international organizations and governments can help reduce the pressures of resource inadequacy, and bring about capacities to build more capacities. Third is the use of approaches to capacity building in all areas of governance, public policy, and administration. Building governance and administrative capacity for the twenty-first century is an imperative, “a prescription for survival” for all nations (Farazmand 2007, 2009).

Opportunities abound. For example, capacity building in all areas of governance is something most governments should pursue with local/domestic resources, but some governments are dependent on external institutional support. The latter are generally poor countries with minor or little resources and hence subject to global pressures—these nations need to form alliance with regional countries with common interests. They can meet the challenges of globalization by resorting to collective cooperative action—Asian countries have huge capacities with diversity, and the less fortunate ones can benefit from regional and continental cooperation. Countries like China, Japan, India, Malaysia, and Indonesia have massive resource capacities, while a little on the west. Iran can play a major role in helping alleviate many challenges and problems faced by countries like Pakistan, Bangladesh, Afghanistan, and smaller ones like Sri Lanka and Vietnam by offering them many of her capacity building experiences as well as resources. This is already happening in several areas as the globalization pressures intensify—examples include Iran’s cooperative measures with Venezuela, Ecuador, Bolivia, Vietnam, Afghanistan, Pakistan, Iraq and some central Asian nations. Similarly, China and Japan have provided ample capacities to other nations in all continents.

The South must empower itself against the pressures of predatory globalization by the North, and this can be done by regional partnership building schemes, formal and informal network systems, civil society and government to government pacts, self confidence building through cultural relearning and institutionalization of traditional Asian value systems, and building trust in people and important local and regional institutions. Still another very important opportunity is to enhance transparency, ethical values, and accountability mechanisms in governance at local and national levels, expanding it to the regional level. Training and development with emphasis on professionalization of public service and administration can play a fundamental role in this area. Finally, Asian countries need to grab the opportunity to built collective capacities in managing and governing predatory globalization—preventing its destructive forces by stopping it at the door, while welcoming and taking advantage of its positive offers.

Three distinct strategies are suggested to governance and governments here: One is resistance strategy, which is difficult but possible and can be accomplished; second is the adaptive strategy, one that requires careful crafting of policy and administrative mechanisms by national leadership to adapt to positive changes while avoiding the harmful effects; and third is a combination of adaptive-resistance strategies. Submissive strategies are absolutely devastating and irresponsible policies and must be avoided by all governments in Asia—it will be fatal domestically and internationally. Total rejection is also an unpractical strategy in the world of unpractical



strategy in the world of increasing interdependence. Success in the application of the first three strategies by countries like Iran, China, Venezuela, Ecuador, Bolivia, Vietnam, Malaysia and a few other nations is growing and should be taken stock with by smaller and less fortunate nations—but the relentless pressures these nations are receiving from globalizing forces are also backbreaking and must be considered in crafting strategies. Sharing such governance experiences can help other nations under the leash of predatory globalization. The United Nations has a moral as well as institutional obligation to helping smaller and power less nations by all means, but unfortunately, many of its own capacities are undermined by predatory global forces that seek hegemony in global affairs (Agnew 2005). UN is in serious need of democratic reform in its structures and processes. It is highly abused as a legitimating institution for often illegitimate and unfair reasons in dictating predatory globalization practices. Interdependence is one thing, but dependency is another—the latter leads to more corruption and crisis in governance and administration. Sharing knowledge and promoting a culture of learning among the Asian people and their governments is very important as a strategy toward “sound governance” with horizontal mechanisms and schemes.

Finally, opportunities are growing to democratize the United Nations, and its major deciding institutional mechanisms—time has changed since World War Two, and it is also time to pluralize the UN Security Council by expanding its veto holding powers. The world population has multiplied since 1945, and it is 2015 now—a time for democratizing the UNSC with new permanent membership from countries like India, Iran, Brazil, Venezuela, and South Africa. New memberships can help prevent North–South wars, promote peace and security regionally and globally, and help alleviate many problems and challenges mentioned earlier. Trust and transparency, avoidance of double standard behaviors in global and regional governance can help regain confidence among people and nation-states in general and South and Southeast Asia in particular. If nuclear weapons or any other kind of weapons of mass destruction are dangerous, and they are as the genocide of Hiroshima and Nagasaki has shown, then they are bad and dangerous to all and need to be eliminated. Sound global governance requires democratic reforms in structure and processes of the United Nations; this is an imperative of the twenty-first century governance. A global institution with monumental power and influence must be democratic and practice democracy first before advising and dictating other nations on how to democratize or reform. South and South East Asian nations can learn from each other, clean up the bad and ugly sides of their governance systems, and stick together in forming a powerful block in global governance.

## Conclusion

There is no single ideal model of governance for all seasons, applicable to all nations and communities worldwide. Local and regional uniqueness demand application of governance models that are suitable to local conditions. While various models or

concepts of governance have emerged worldwide during the last 30 years or so, it is the market-based model that has been imposed upon most developing countries. Predatory corporate globalization has been the driving force behind this global trend, which has backfired in many countries and regions, including many of developed nations, while still in force in others. A corollary of this global market-based governance has been the heavily loaded normative concept of ‘good governance,’ a notion that has had some appeal here and there, but has lost credibility due to its double meaning—what is good for some global powers may be bad or ugly governance for developing nations, as former president of Tanzania, Julius Nirere clearly stated. Blind approach to adapting models of governance and administration can lead to catastrophes and history has shown this over and over again. While good governance has been controversial, it is “Sound Governance” that has been gaining momentum. It should be considered as the new promising model of governance world-wide in general and Asia in particular—Asia has a rich tradition of various governance models based on collective values of communities and self-governance for over thousands of years. This historical tradition needs to be preserved and enhanced in the twenty-first century.

Several key lessons need to be learned and relearned: First, change has always characterized the world evolution, but also has continuity—change for the sake of change can lead to abyss, but changes helping people is asset building. Second, there is a need for more tolerance and less dogma or orthodoxy in governance and administration—we need to learn and adapt changes that enhance chances for progress and enlightenment. Third, consistent with the second lesson, there is a need for more inclusiveness and diversity, bringing in to the forefront forces of diversity, innovation, differences, and creativity, as well as justice and fairness. Fourth, there is a lot to be learned and relearned from the past, the history, the present, and while we do not know a lot about the future, there is an imperative to building capacity to meet the unknowns and uncertainties. Fifth, we need to constantly improve governance and resist signs of bad governance by relying on sound governance with many dimensions outlined earlier. Finally, we need to keep in mind that people/citizens are the most powerful and valuable assets of any nations, and for any government or governance system to work effectively, the key is to engage people directly and strive to serve them (Farazmand 2012b).

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# Chapter 3

## Theories of Governance: South Asian Perspective

Sk. Tawfique M. Haque

### Introduction

Like any other continent, the idea of treating Asia as a single entity is absurd. ‘Asia’ is only a geographical expression. In contrast, there are some commonly shared qualities in Europe which entitle us to use terms such as ‘European’ or ‘Western civilization’. This is because of a common heritage with roots in Greece. By contrast, the variation of Asia lies not in one civilization but in different root civilizations: the Sinic, the Hindu, the Muslim, and the Buddhist traditions. Asia has a more varied past than Europe, thus it has no sense of a common heritage (Pye 1985, p. 1).

Due to the diverse historical backgrounds, it is difficult to describe a general pattern or Asian model of power, authority, and political system. Hence it is difficult to describe a common model of governance. We can, however, identify some core values which have generated the different ideas of power and authority in the different Asian societies. Probably the most significant of these values is collectivism. Thus, the Western belief—that progress should result in an ever greater scope of individual autonomy—is not taken as self-evident by most Asians; they are more inclined to believe that greater happiness comes from suppressing self interest in favour of group solidarity and harmony (Pye 1985, p. 26). The Asian orientation toward the group, rather than individual, affects not only basic political values but a wide range of political behaviour. For this reason, the concepts of citizen, citizenship, and citizenry have not evolved from Asian societies; they were indoctrinated in most of the Asian societies after the time of colonial rule. So in Asian societies, the concepts of power and authority are derived from very different perspectives and backgrounds.

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## Concepts of Authority from South Asian Perspectives

The concept of authority is analyzed and discussed in this section according to its South Asian variations. This perspective of 'authority' is significantly different from Western views. Historically, there were two general bases for legitimizing power or authority in South Asia. Each of them stressed the dominance of external, unseen forces.

### Authority as Ritual in Support of the Cosmic Order

Sociologists have described the Hinduized Balinese state as a system of government by ritual, in which authority was associated with ensuring that man and society were in proper relation to the cosmic order (Pye 1985, p. 43). The Indian idea of god-kings and authority was solely devoted to carrying out the rituals which were believed essential for the stability of the society. The ideal of rule by a god-king meant that authority had a sacred quality and therefore could not be used for mere utilitarian purposes.

In South Asia, the caste system<sup>1</sup> provided a powerful basis for the structuring of society, and it assigned a minimum role to governmental authority. In a fundamental sense, temporal authority was not essential in Hindu society. Each caste could handle its own problems through its respective panchayat, or council of elders.

### Authority as the Representation of the Sovereign Power of God

The Islamic doctrine, like Hinduism, attaches great importance to the role of political authority in upholding the 'divine order' of society. The key difference, however, lies in the division between sacred and secular authority. In the Hindu philosophy, a king's function must be carried out according to amoral statecraft. This idea opens the way for building a secular authority that is not controlled by priests and religious authorities. In Islam, by contrast, there can be no such neat division because everything is governed by an omnipotent religious authority.

The concepts of authority are thus absolutist and totalistic. The ruler of the Islamic state can act with the confidence that, at least to some degree, his actions represent the Divine Will. But this does not imply any functions comparable to those of the pope. The Imam/Khalifah has no authority either to define dogma or, indeed, even to legislate. He is the chief executive of a religious community, and his

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<sup>1</sup> Castes are hereditary systems of rank, usually religiously dictated, that tend to be fixed and immobile. The caste system is generally associated with Hinduism in India and other countries. In India there are four major castes, (Brahmin, Khatriya, Baisay, Shudro) called varnas.

primary function is to implement the sacred law and work in the general interests of the community. He himself is not above the law and if necessary can even be deposed, at least in theory.

These two types of authority caused different types of political systems in South Asia in different periods of history. The ritual-based authority of Hinduism and the Islamic tradition of authority made a complex socio-political scenario in the Indian subcontinent (South Asia).

## **South Asian Forms of Governance: Hindu and Muslim Political Thought**

The problem of evaluating and understanding government in the Indian subcontinent lies not only in the complexity of traditional Hindu beliefs, but also in the complications added by the waves of foreign conquerors who brought their own distinctive ideas about power and authority (Pye 1985, p. 133). South Asia was the breeding ground of two great religions: Hinduism and Buddhism. Islam was also integrated into many parts of this region. India introduced or exported Buddhism to Tibet, Central Asia, China, Japan, and Southeast Asia. Its Hindu and Mughal traditions introduced the concepts of god-kings and sultanates, both of which have shaped the governmental systems in the Subcontinent (Jafri and Feifeld 2006, p. xi).

### **Hindu System of Governance**

The concept of Ram Rajya, or the ideal state in ancient India, has been conceptualized as good governance in the modern era. In Hindu political philosophy, the word 'good' derives from the word 'god', and carries an innate sense of judgment. The term 'good' at the same time represents the concept of common good. The Hindu concept of 'common good' puts the emphasis on sarva (all and everyone or all inclusive) instead of bahu (the greatest number or large number). Perhaps in earlier times, the term 'good' might have been meant to embrace 'all and everyone', but presently in Western thinking, the term rarely encompasses universality (Chaturvedi 1998, p. 35). From the Hindu perspective, when we speak of this term, it means an action or a deed which is beneficial to all and everyone. It should also be noted that while the benefits may be available to all, this does not mean that all the people are entitled to the same (identical and equal) benefits. Instead, the concept of 'good' means that everyone should receive (or be given) their individual and collective due share. It is also important to mention that the Hindu concept of 'common good' includes both receiving from others (including the community, state, and other entities) as well as rendering to others whatever be their due share. Thus, both sides of the coin are represented; the common good encompasses receiving and giving help. In other words it represents both the rights and the responsibilities of individuals.



Another important concept in Hindu political thought is *danda*<sup>2</sup>. This stresses punishment and the ruler's power to coerce. Indeed, there was a great enthusiasm for the idea that rulers needed to punish and actually hurt people for their own good. This notion was expressed by Manu, an ancient Hindu thinker:

Punishment alone governs all created beings, punishment alone protects them, the wise declare punishment to be identical with the law. (Sunder 2011, p. 220)

This legitimization of violence and coercion in politics seems to stand in sharp contrast to the spirit of nonviolence in Hindu religious thought. This contrast is the key to the Hindu idea of power, which insists that there should be a division between religion and politics. Hindu society was based upon the separation of status and power, which mobilized this divorcement of religious principles from statecraft. In the caste system, people who belonged to a high caste could have less power than those of lower caste or status. For example, the Brahmins, or priests, who had the highest status, were seen as having less power than the Kshatriyas, or kings and warriors.

### **Dharma<sup>3</sup>: The Foundation of Good Governance as Viewed through Hindu Scriptures**

Dharma, the foundation of good governance, is required to protect and sustain the common good and the requisite duties and conduct of public officials—it is described in some scriptures and ancient writings of the Hindu religion and culture (Dwivedi 1990, pp. 406–419). Hindu scriptures provide ample guidelines through Dharma Shastras. These guidelines or codes of conduct have been prescribed by a great many seers, and they are spread throughout the various scriptures of Hindu religion. But for our purpose, examples are drawn from the following three: the Yajurveda, the Manusmriti and Kautilya's Arthashastra.

**Yajurveda** Dharma of rulers has been described in many places; at the same time, it is mentioned that such a ruler will be an elected official who will administer justice with the help of an elected assembly (Chapter VII, Verse 45). For example, in Chapter VIII, good conduct as a prerequisite of the common good is emphasized:

O virtuous and prosperous king, be knowledgeable about conduct as protector of the learned, and impeller towards our progress and prosperity. Be in control of your passions, and conduct yourself in a righteous manner. Be a friend to us. Know the conduct as laid down by all sages.

(Yajurveda, Chapter VIII, Verse 50)

<sup>2</sup> Danda literally means stick. It is an important political term in Hindu philosophy, representing the idea of the coercive power of the state.

<sup>3</sup> Stanely Heginbotham, in his study of India (1975, p. 24) observed that dharma represents specific duties which one must perform. The social function of dharma is to hold together, maintain, and perpetuate a given social order. According to the Hindu view of life, it is only righteous action that can serve the purpose of perpetuating a social order, and dharma comes to be equated with all "righteous belief and action", that is, a proper way of living and behaving in a society (Jamil 1998, p. 9).



This type of conduct is founded on virtues such as humility, discipline, and voluntary action, because the king is 'elected' to undertake the duty of state. There are many passages in Yajurveda which offer similar advice to the elected ruler. Another example is the following verse from Chapter XX, where the king is asked to maintain the common good (righteousness) of his Loka (people):

Assembly of Learned (VidyaSabha), Assembly of Spiritual Leaders (Dharma Sabha), and the Assembly of the Administrators (RajyaSabha) are the three organs of government of a ruler. These should provide speedy justice and solution of problems, should consist of well-qualified persons, fully constituted to manage the affairs of state with prowess and skills, and to maintain the righteousness [common good] of government.  
(Yajurveda, Chapter XX, Verse 43)

Through these and similar verses, kings are advised to preserve the common good by acting in a moral and virtuous way (Chand 2004, p. 66).

**Manusmriti**<sup>4</sup> Among all the Hindu smriti literature, Manusmriti is considered the most important and comprehensive codification of Hindu laws. It includes not only the precepts for the moral duties of all persons, but also the special rules regarding the conducts of kings, officials, and the administration of justice.

In the various verses of Manusmriti, a moral tone has been set for the conduct of a king and the good governance of the kingdom. The illustrations of these verses denote a high moral tone assigned to those who govern and act as stewards of governance. For them, the verses offer ample spiritual guidance for good behaviour. People who govern have been advised that good governance is sustained by adhering to a trinity of moral duties ultimately resulting in Sarva Kalyankari Karma (common good for all and everyone), maintaining Sarva Loka Sangraha (maintaining, feeding, protecting and defending the universe in a proper way), and aiming for the Sarva Hitey Ratah (caring for others). These three dictums, which emanate from certain religious foundations, support the contention that governance is a moral endeavour (Buhler 2011, p. 22).

**Kautilya's**<sup>5</sup> **Arthashastra**<sup>6</sup> Kautilya (321–296 B.C.) perceived the idea that the state was created by divine and not human action. Making this concession to the sacred, Kautilya limited himself to the nature of reason. In his Arthashastra, he recognized the need for occasional trickery. Though he advocated for the dandaniti (rules of punishment), he did not believe only in force or in the ruthless application of laws. Kautilya set the objective of state power as the creation of a strong, centralized government, which would be supported by an extensive bureaucratic machine but sensitive to local usages and customs. Such a structure of government was necessary to protect against both external and domestic enemies.

<sup>4</sup> The Manusmriti (Sanskrit), translated Smriti of Manu is regarded as an important work of Hindu law and ancient society, written 2000 B.C. in India. It is one of the eighteen smritis of the Dharmastra; and is a part of the smriti literature. It contains laws, rules and codes of conduct to be applied by individuals, communities and nations.

<sup>5</sup> 'The Crooked'; (also called Vishnu-Gupta and Chanakya); he was prime minister of the Maurya, emperor of Chandragupta (321–296 B.C.), and reputed author of Arthashastra (Prasoon 2008, p. 19).

<sup>6</sup> Arthashastra is the Hindu 'science of polity'. The most famous textbook on the subject is the Kautilya Arthashastra, of which a manuscript was found in 1909.

Although the book written by Kautilya is not considered a part of Dharma Shastras (scriptures), nevertheless, it is the greatest Hindu treatise on the art of government and administration, the duties of kings, ministers, officials, and the art of diplomacy. For example, a king is expected to behave in a most righteous manner:

In the happiness of his subjects lies his happiness; in their welfare his welfare; whatever pleases him (personally) he shall not consider as good, but whatever makes his subjects happy, he shall consider good.

(Arthashastra, Book I, Chapter XIX, verse 39)

## **Kautilya's Good Governance Indicators**

L. N. Sharma and Susmita Sharma have chosen ten indicators of good governance from Kautilya's Arthashastra. This magnum opus outdoes any Western writing on the subject, and it is claimed to be more modern than post-Wilsonian public administration (Sharma 1998, p. 261). In an age of monarchy and legitimized inequality, Kautilya alone called the king a servant of the state who would harbour "no personal likes"; it would be rather the likes of the servants that he would follow (Kautilya 1992, p. 70). This is a novel suggestion even in the age of democracy, because at least in the Third World, the rulers still act as masters of the people, particularly the poor.

## **The King Must Merge his Individuality with his Duties**

The first indicator of good governance suggested by Kautilya is that the ruler should surrender his individuality in the interest of his duties. Kautilya's concept reverberates in Max Weber's concept of rational authority exemplified by a depersonalized bureaucracy. K.P. Jayaswal aptly uses the term "constitutional slave" for Kautilya's king (Jayaswal 1968, p. 40)—a term popularized in England by Locke in the late seventeenth century. The idea that a constitutional government is an effectively and regularly limited and restrained government is a much more recent innovation. The indication given even in the pre-Kautilyeen literature is that the ruler will not be absolute, arbitrary, or authoritarian. Dandniti is to be applied to control the worst impulses of man but danda is to be applied with justice (Paranjape 2008, p. 80).

## **A Properly Guided Administration**

The second indicator is that in order to ensure people's welfare, there must be a properly guided administration. Proper guidance excludes commitment to an individual, his family or his whims and impulses. At the same time, this indicator assumes that civil service, by its very nature, cannot be responsive and responsible.

The civil servant, far from being a servant, becomes a master to the people; and a tail wagging dog to the master to gain a suitable posting, transfer, deputation, and to buttress his family's welfare. Thus, civil servants, like greedy children, need to be watched and guided but not controlled.

### **Avoiding Extremes without Missing the Goal**

The third indicator of good governance is to avoid extremes (as Buddha preached) but not miss the goal. Kautilya advises that the state is directly responsible for the promotion of agriculture, animal husbandry, trade, and commerce. Kautilya sees benefit in state regulation, particularly in the area of people's welfare, rather than pursuing unbridled market mechanisms.

### **A Disciplined Life with a Code of Conduct for the King and Ministers**

The fourth indicator is that a ruler is to be subjected to a rigorously disciplined life and an elaborate code of conduct. This will also apply to the mantries (ministers), and the other eighteen chief officials of the state, because their code of conduct and behaviour should become a model for others to follow, as prescribed in the Gita.

### **Fixed Salaries and Allowances to the King and Public Servants**

The fifth indicator is that salaries and allowances of all public servants, including those at the top, should be fixed and reasonable. The king's salary is fixed and he is not entitled to draw a penny more than that, says Kautilya. The allowances of the members of the king's family are also fixed and cannot be raised except with the approval of the council.

### **Law and Order are the Chief Duty of the King—Losses from Theft to be Made Good from king's Salary**

Kautilya's sixth indicator is that the king will receive a salary for rendering services to the people. His duty is to maintain law and order, that is, to protect life and liberty. The king will have to pay from his own pocket if he is found guilty of failure

his duty on this score. If the king cannot recover the property of citizens robbed by thieves, he shall reimburse the citizen from his own pocket, says Kautilya.

## **Wisdom and Communication Skill**

The seventh indicator lays great stress on Lekhaks (writing), since those who can write enjoy the status of amatyas (members of the king's office), and are the highest ranking officials. They are selected with great care, because they have to possess the ability to draft writs, royal orders, circulars, and communiques.

## **Carrying out Preventive Measures against Corrupt Officials**

The eighth indicator of good governance is the carrying out of preventative and punitive measures to punish corrupt government servants, judges, and jailors. Kautilya has no good opinion about the financial integrity of officials; hence he wants them to be closely controlled and supervised. As he says, a government servant misappropriates public money as inevitably as one tastes honey placed at the top of one's tongue. He lists 40 ways of embezzling government funds. But Kautilya is very practical when saying that it is as difficult to be sure about the honesty of an officer as to find out whether or not fishes in the water are drinking water. However, Kautilya can do no more than prescribe that a severe penalty be imposed on those who transgress their duties.

## **The King Replaces Bad Ministers with Good Ones**

Ninth, Kautilya stands for prime ministerial government (as an extension of parliamentary government) with a monarch at the top. He also observes that the king must replace inefficient and dishonest ministers with better ones. During his lifetime, Kautilya was prime minister to King Chandragupta, who made the final decision about ministers on the basis of the prime minister's opinions.

## **Emulation of Administrative Qualities**

Tenth, certain administrative qualities worth emulation in modern-day administration are emphasized by Kautilya. Some of them are uniformity in administrative practice and to hire competent ministers. The king himself should possess the qualities of leadership, intellect, energy, good moral conduct, and physical prowess. Above all, he must not be dilatory in his decision-making and allow things to drift.

Kautilya pursued good governance even amidst instability. He conceived of stability and good governance as two distinct variables. His argument is that the quest for good governance should not be mingled with the quest for stability, as they are not one and the same. If we have good governance, let us be happy. Let the quest for goodness go on and let there be no compromise on good governance, whether it leads to stability, instability, threat, intimidation, or what not.

## The Hindu System of Governance: A Summing up

The essence and basis of the moral state, as conceived in ancient Indian thinking, depends on the triangle of those actions of governance which are undertaken for universal welfare (Sarva Loka Kalayankari Karma), maintaining and protecting each and everyone in the creation (Sarva Loka Sangraha), and securing universal care for all (Sarva Hitey Ratah) (Tilak and Bhagavad 1902, p. 55). But that triangle has a centre point, the common-most good, which is happiness for all (Sarva Bhavantu Sukhinah). The common good, as perceived by ancient Hindu thought, requires people indulging in the Purushartha (duties), and striving towards the universal welfare (Parva 1988, p. 45).

## The Ruling System in Islam

Linguistically, ruling means guardianship in Islam. Since Islam, as a way of life, covers the state, the society, and life as a whole, ruling becomes part of it. Muslims are commanded to implement this ruling, that is, to govern by the Islamic laws. A host of verses have been revealed in the Quran confirming the obligation of ruling by what Allah has revealed.

Obey Allah and obey the Messenger and those of you in authority. (4:59)

This is in addition to many other verses dealing with ruling as an authority and power. Other verses also provide details about the different areas of ruling, some regarding legislation, politics, crime, social issues, the military, diplomacy, and so on.

He also says: And if they incline to peace, incline you also to it, and trust in Allah (8:61)

He also says: O you who believe fulfil the contracts (undertakings). (5:1)

Therefore, the broad lines of civil, military, criminal, political, and social legislation are evident in hundreds of verses, in addition to the numerous sound<sup>7</sup> Ahadith<sup>8</sup>

<sup>7</sup> Individual terms distinguish between those Ahadith considered to rightfully attributed to their source or which detail the faults of those of dubious provenance.

<sup>8</sup> Ahadith consists of all the authentic reports of the acts, utterances and silent approval of the Prophet. These are mostly recorded in the six authentic collections which are termed as Sahih (authentic) Ahadith. These Ahadith are one of the principle sources of Shariah or Islamic rulings.

of the Messenger of Allah, which have all been revealed to be implemented and executed. They have effectively been implemented in the lifetime of the Messenger of Allah, the period of the khulafa'a rashideen,<sup>9</sup> as well as during the ruling of the Khulafa'a who came after them (Habib 2012, p. xxiv). This could only prove that Islam is a ruling system embracing the state, the society, and life in general—it extends from the Ummah<sup>10</sup> as a whole to individuals. It also proves that the state has no authority to rule unless it adheres to the Islamic system. Islam is a Deen (way of life) and an ideology; the state and the ruling system are part of it. The state is the only legal body that Islam has laid down to implement its laws and execute them in public life.

## The System of Ruling in Islam is the Imamah

Historically, the only form of Islamic polity assumed after the death of the Prophet is the Imamah/Khilafah system. The Muslim thinkers (e.g., Al-Mawardi, IbnTaymiyah, IbnKhalidun, Al-Baghdadi, Al-Ghazali, and others<sup>11</sup>) therefore developed an elaborate doctrine concerning the origin of the idea of the Imamah, the qualification of an Imam, the nature and mode of election and the purpose of government. On the question of the necessity of an Imamah or Khilafah, the majority of thinkers including the Shiah, the Khawarji, and most of the Mutazilah believe that the Imamah is compulsory because of the functions assigned to it by the revealed law (Moten 1996, p. 95).

## The Principles of Ruling

The ruling system of Islam is built upon two principles (Zalloom 2006, p. 12): sovereignty is for Shariah (Islamic legal system), not for Ummah. As for the first principle, the verdict regarding this sovereignty is that it belongs to the Shariah and not to the Ummah. The will of the individual is not controlled by that individual as he or

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<sup>9</sup> Four rulers who ruled after the death of the Prophet. The tenure of these four rulers is termed the golden age of Islamic ruling. These four rulers are Abu Bakar, Umar, Usman, and Ali.

<sup>10</sup> Ummah is a unique concept having no equivalent term in the Western languages. The deciding basis for Ummah is neither race, language, history, nor any combination of them, nor is it determined by geographical considerations. Ummah transcends race, language, and geography. It is a universal order enclosing the entire collectivity of Muslims inhabiting the globe, united by the bond of one strong and comprehensive ideology of Islam.

<sup>11</sup> Even though the Islamic thinkers have a consensus about the necessity of Imamah, they disagree as to the reason for its necessity. IbnKhalidun argues that there is a natural propensity inherent in people which drives them to cooperate with their fellow creatures for common well-being and happiness. This common welfare cannot be attained without a social order, and the latter requires some authority to direct it.

she pleases, but by the commands and prohibitions of Allah. Similarly, the Ummah is not controlled by collective free will. This collective unit's members do not act as they wish, for they are subject to the commands and prohibitions of Allah.

## **Authority Belongs to the Ummah**

The principle that the authority belongs to the Ummah is taken from Shari'ah rule, which states that the appointment of the Imam is the right of the Ummah and that the Imam can only take up his post and exercise his authority by taking the pledge of allegiance (Bai'ah). It is the people who give the Imam the pledge of allegiance (Bai'ah), that is, they appoint him as a ruler over them through an election process. The Khulafa a Rashideen took their Bai'ah from the Ummah; they only became Khulafa'a once the Bai'ah was given to them by the Ummah.

## **The Structure of the Ruling System**

The Islamic ruling system is founded on seven pillars (Zalloom 2006, p. 15):

- The Imam
- Assistants of the Imam
- The Head of Foreign Affairs
- The Governors (Walis)
- The Judiciary
- The Administrative Departments
- The Council of the Ummah

Evidence of this structure is reflected in the actions of the Messenger of Allah, since this was the form in which he set up the structure of the state.

## **The Imam**

The Imam is the man who represents the Ummah in the ruling and authority, and in the implementation of the rules of Shariah. Islam has decreed that the ruling and authority belong to the Ummah. It is the Ummah who appoints someone to rule on the Ummah's behalf. Allah has made it obligatory for the Ummah to execute all the rules of Shariah.

Since the Imam is appointed by the Muslims, this makes him a representative of the Ummah in terms of ruling and authority and as well in the implementation of the rules of Shariah.

## The Head of Foreign Affairs

The rules of foreign affairs include the rules of war, peace, cease-fire, and treaties. Also included are foreign relations with other states and entities, as well as the rules of the army, its preparation, and training. The head of foreign affairs is the person whom the Imam appoints as an Ameer over matters of foreign affairs, military affairs, internal security, and industry, in order to supervise and administer.

## The Governors (Walis)

The Wali (governor) is the person whom the Imam appoints as ruler over a Wilayah (province) of the Imamah state. The territories which the Imam rules over are divided into provinces and each province is known as Wilayah. The Wilayah are in turn divided into districts, and each district is known as I'mala. The person appointed over the Wilayah is the Wali or an Ameer, and the person appointed over the I'mala is the 'Amil or the Hakim (ruler) (Islam 2004, p. 17).

## Judiciary

The judiciary is independent of the executive and is to adjudicate in strict accordance with Shariah. The judiciary must be separated from, and independent of, the executive; this is so that it may not be influenced by the executive in the discharge of its duties. The judiciary is responsible for delivering the verdict for the purpose of enforcing it. It settles disputes between people, prevents whatever may harm the rights of the community, and also settles disputes between people and any persons who are part of the ruling structure, whether they are rulers or civil servants, the Imam, or any other person (Fyzee 2008, p. 36).

## The Administrative System

The Islamic administrative structure consists of administrations, departments, and directorates. It represents a general structure for all the subjects and for those who live under the authority of the state. It is called the Diwan. The management of the administrations or Diwan was not organized in any specific way at the time of the Messenger of Allah. He would appoint for each administration a secretary, who would act as the director and secretary and would undertake all the related actions.

Umar Ibnu Al-Khattab was the first in the history of Islam to introduce the Diwan. Several Dawawin were then set up, in accordance with necessity and the need for them in running the people's interests. Dawawin were also used in the treasury (Bait-ul-Mal) to record revenues and expenses and so on.



## **Those Who are Eligible to be Civil Servants**

Anyone who holds citizenship and is competent—man or woman, Muslim or non-Muslim—is eligible to be appointed as a director of any administrative department, or to be an employee in such a department. This is taken from the rules of hiring (Ijara) where it is permitted to hire any person, whether Muslim or non-Muslim.

## **The Council of the Ummah (Parliament)**

This is a council formed of individuals representing the opinion of Muslims at large, to whom the Imam can refer to consult on various issues. They in turn are the representatives of the Ummah in holding the rulers accountable. It is permitted for non-Muslim citizens to be members of the council, in order to file complaints against any injustice perpetrated against them by the rulers, or against any misuse of Islamic principles upon them. Allah has commanded the Muslims to hold the rulers accountable and He has strongly directed them to be firm with the rulers if they violated the rights of the citizens, if they neglected their duties towards the people, if they ignored any of their affairs, disagree with the ahkam (rules) of Islam, or govern with rules other than those which Allah has given (Zalloom 2006, p. 28).

## **Membership of the Council of the Ummah**

The members of the Ummah's council are elected and not appointed. The membership to this council must be for a specific period. Any person who holds citizenship, if he or she is mature and sane, has the right to be a member of the council of the Ummah at the local (provincial, division, district, other local units) and central level of the state. Citizens also exercise their right to elect the members of the council, whether the person is a man or a woman, a Muslim or non-Muslim. Moreover, a woman has the right to delegate someone to voice her opinion, and she herself can be delegated by some other person. Because she has the right to voice her opinion, she can choose her representative over it. This is also because the representation (Wakala) does not necessitate manhood, thus she has the right to represent others.

## **The Islamic System of Governance: A Summing up**

The Quran and Sunnah, though they do not elaborate a constitutional theory, give an outline of a political scheme which can be realized under different circumstances. This Islamic polity is neither territory-bound nor restricted by racial or other considerations. It dismisses the notions of nationalism, popular sovereignty, and radical

separation of power. Instead, Islam advocates universalism, the supremacy of Shariah, and the fusion or limited separation of powers.

The responsibility for the administration of government is entrusted to the chief executive Imam or Amir. Whatever form the executive assumes, the Imam is elected and always subject to the Shariah and to the Ijma ‘formulated under it’. He is accountable to the shura body ‘which loses and binds’. Elected by the people, this shura body performs many of the functions entrusted to present-day legislatures. Legislation, however, should be within the limits prescribed by the Shariah. The judiciary is functionally an independent arm of government which, *inter alia*, interprets and adjudicates in accordance with the Shariah (Moten 1996, p. 125).

## **Comparison Between the Hindu and Islamic Systems of Governance**

The difference between the Hindu and the Islamic systems as theories of governance is apparent even though both models have a religious basis. Although the Hindu system is based on the concept of Dharma (righteousness), no strong emphasis is placed on this concept in relation to politics and the state. Therefore, this system does not necessarily act as a barrier in establishing a secular society and state. On the other hand, since Islam is considered as an ideology, it is not possible to separate this system from the state and society. The individual, the society, and the state must run according to the governance model prescribed by the religious text. The Islamic system of ruling therefore is viewed as a political model, which is contradictory to Western forms of secularism.

Despite their differences, both the Hindu and the Islamic systems place great emphasis on building and maintaining a society based on ensuring the collective interest and ethical-moral social order. Both models maintain that in order to secure the collective interest, it may be necessary to restrict individual freedoms or sacrifice the interest of the individual. A comparison between these two models is shown in Table 3.1.

These two models of governance identify morality as a basis of the ruling system. They also view the individual life of the ruler as being equal in importance to his political life; the quality of his rulings is shaped by his personal values. It is worth noting that prior to the nineteenth century, the South Asian states were neither nation states nor did they encourage the participation of women in politics and state affairs. Due to their emphasis on protecting the collective interest, the South Asian models did not restrict state interference in the economy. Hence individual economic activities did not harm the wider society. The common, preferred norms of ‘good governance’ for these two models are to uphold high moral character, maintain peace and order, emphasise the continuation of social cohesion, and to be intolerant of criticism for the sake of stability.

**Table 3.1** Comparison between the Hindu and Islamic system of governance

Common indicators	Hindu system	Islamic system
1. Concept of authority	Authority as ritual in support of the cosmic order	Authority as the representation of the sovereign power of God
2. Separation of politics from religion	Extreme separation of the status and power of religion and politics	No separation of the status and power of religion and politics
3. Moral issues in governance	Governance is a moral endeavour and the state must be a moral state	Put emphasis on ensuring morality both at the personal and state level
4. Foundation of governance	The foundation of good governance is <i>Dharma</i> (righteousness)	The basis of governance is the <i>Quran</i> and <i>Sunnah</i>
5. The form of government	Mostly the ruler is selected from a capable and learned group of upper caste people	The ruler and the representative council ( <i>shura</i> council) must be elected
6. Individual freedom	Individual rights can be sacrificed in the name of societal interest	Individual and collective rights are given by the state. The society is more collective in nature
7. Role of women in politics and administration	The issue of women's participation in politics and administration is not clear and distinct	[Women's participation in politics and administration is restricted in some areas of administrative and judicial functions

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## Issues and Challenges for the South Asian Models of Governance

Compared to the European models of governance, the theological models of South Asia are differently articulated as theories of governance. The basic principles of these models have been derived from religious texts. These scattered religious sources and references were compiled by Hindu and Islamic thinkers much later than they were first written, in order to provide an outline of the ruling mechanism of the two religions. The Hindu and Muslim rulers, at different periods in history, also played an important role in establishing governance models through their ruling practices.

Because of their religious roots, these models have historically been well received by the people of the Indian subcontinent. A long and complex history of ruling, both under Hindu kings and Muslim rulers, made an impact on the overall governance mechanism of this region. For hundreds of years, Muslim rule in South Asia established different institutions, especially in the area of the judiciary, tax collection, and maintaining law and order. These institutions even continued during

the colonial period and, in some cases, after the end of colonialism, albeit under different names and in different forms (Eaton 1996, p. xxiv).

In the South Asian models, the concept of the state is not as distinct as in European theory. Historically, the first nation states were built in the Indian subcontinent after the end of colonialism. In comparison with the European models and practices, the two South Asian models were not practiced in absolute forms. Only some parts of these models were applied in government mechanisms. Prior to Muslim rule, the Hindu system of government existed in the Indian subcontinent. With the arrival of Muslim rule, Islamic ruling concepts arrived in the Indian subcontinent during the Sultanate and the Mughal periods, although an Islamic state did not exist here, nor was it a part of another Islamic state. For this reason, the complex contextual reality of these two models causes them to face challenges to become full-blown theories of governance that can stand in comparison to the European models of governance (e.g., liberal democratic theories). However, the changing political situation in South Asia has generated a new wave of academic interest to re-discover the indigenous models of governance and to examine and explore their weaknesses and potentialities as theories of governance.

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# Chapter 4

## Network Governance and Policy Making: Developments and Directions in Asia

Habib Zafarullah

### Introduction

Governance, understood as a complex dynamic phenomenon, strives to bring about excellence in governmental operations within a democratic setup. Designed to be sensitive to citizen and societal demands, it is concerned with a complex matrix of interactions and interrelations between different actors and institutions (society, state, civil society, the market, global regimes, etc.), and between different sets of ideas and practices (capitalism, neo-liberalism, social democratic, etc.). Governance thus has significant implications for policymaking and implementation, and, to that end, development (Zafarullah and Haque 2012).

Among several governance applications that are relevant in today's complex social, political, and economic configurations, one that is vital in inclusive policymaking is *network governance*: “a form of organizational alliance in which relevant policy actors are linked together as co-producers where they are more likely to identify and share common interests” (Junki 2006, p. 22). Policy development is reinforced by three key activities: *interference* (the uncoordinated and informal forms of social interaction), *interplay* (coordinated but semi-formalized networked and collaborative formations) and *intervention* (formalized modes of social interactions occurring within legal structures) (Kooiman 1999, pp. 68–69). In an ideal sense, inclusive policy making is the outcome of complementarities between an array of state and non-state actors, each possessing sufficient knowledge and expertise to contribute to agenda setting, policy formulation, policy adoption, monitoring, and evaluation. Social-political interaction can also help produce such strategies in social and economic development, for instance as public-private partnerships, social investments, cooperative management, entrepreneurial community ventures, and social forestry.

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These are just a few examples of types of network governance activities with wide ramifications for both economic growth and social progress.

In this chapter I examine the notion of network governance. In one of its most basic forms, it can be conceived of as horizontally organized social subsystems with sensibilities and rationalities that are expected to influence policy development and contribute to policy evaluation. While reviewing current trends and developments in network governance and development policy making from a conceptual perspective, I focus on the ‘state of play’ in the Asian countries of India, Pakistan, Bangladesh, Malaysia, Indonesia, Thailand, South Korea, Taiwan, China, the Philippines, and Singapore, exploring the nature of policy networks and their contributions to the policy process within a broader social-political context. In Asia, policy networks exist and operate within civil society in various forms, and they exhibit common or dissimilar attributes. Evidence suggests that notable breakthroughs have been achieved in some of these countries and in specific development sectors, but there is a lack of coherence and consistency in the way network governance works. Lessons from successful enterprises can be drawn and applied to situations where headway has been constrained by social, political, and bureaucratic factors. This paper is based on conceptual literature relating to network governance, policy analysis, stakeholder dynamics, and participatory development, as well as on empirical evidence from Thailand, India, South Korea, Singapore, China, Bangladesh and a regional initiative.

## **Conceptualizing Network Governance Vis-à-Vis the Development Policy Process**

Governance understood as “the exercise of political power” (World Bank 1992, p. 1) always has constructive significance, being essentially an assortment of attributes and values that contribute to a positive end in terms of citizenship, inclusiveness and participation, rule of law, governmental accountability, integrity, and effectiveness (Huque and Zafarullah 2006, p. 5; Agere 2000, pp. 7–9). The ethos of democracy is expected to influence or drive the practice of governance. A government obtains legitimacy and authority to perform its socio-economic functions and undertake moral responsibilities in providing the services citizens need. It also broadens the scope for citizen and non-state stakeholder participation in the public policy process. Because of its deliberative and consensus-building qualities, democratic governance is capable of promoting more effective policies and strategies for change (Kozul-Wright and Rayment 2007). A democratic decentralized structure creates “new political spaces” within which relationships between people, civil society, the private sector, and the state may be built for productive developmental initiatives (Cornwall and Gaventa 2006). This type of interface, however, can only emerge and sustain itself for productive purposes in an enabling environment that encourages pluralist engagements.

## Nature of Interface

Both formal and informal interfaces between the state and an assortment of non-state actors may serve useful purposes in the policy process. *Hierarchy-based governance*—which is based on organized hierarchies in state structures that are subject to process-based steering and directed planning and coordination without engaging service recipients—may be efficient, but needs to be complemented by self-organizing entrepreneurial or informal structures, exemplified as ‘networks’, to boost governmental performance. Also, unlike *market-based governance*, where the interface is more formalized and business-like and coordination is horizontal and influenced by competition, *network-based governance* is expected to play a key role in socio-economic development initiatives and outcomes, and, more generally, in resolving societal issues (Bouckaert et al. 2010; Valkama et al. 2013; Koppenjan and Klijn 2004; Rhodes 1997). Network governance entails interdependency, collaboration, and consensus between autonomous stakeholders; they pursue specific interests but engage in deliberation to obtain compromises when making policy choices, and in promoting a policy-development regimen that will be inclusive, participatory, transparent, and accountable. Given that network governance is focused on power, legitimacy, urgency, and salience, it is basically a stakeholder approach that can be productive in building synergy and providing credibility to policy making in developing countries.

## Network Properties

Informal civic networks represented through civil society organizations (CSOs) create social synergies based on trust, shared knowledge, apportioned tasks, reciprocity, and mutuality. These factors constitute “spaces of cross sector connection” (White 2009, p. 7), and, either at the individual or group level, inform citizens and promote their active participation in public affairs. These sorts of interrelations gradually become routinized at a more formal level and complement state arrangements. Over time, therefore, networks might have set preferences for the specific goals each constituent wishes to achieve. Within the parameters of their common interests, they might seek mutual resolutions to problems.

Networks often face challenges in accomplishing three key functions: *communication*, both horizontal and vertical; *creativity* achieved through free-flowing interaction among assorted stakeholders; and *consensus* among compatible and mutually accepting actors working towards common goals (Perkin and Court 2005, pp. 2–3). That said, consolidated networks are able to provide strong social backing, gain recognition for the goals they strive to achieve, and they are taken into confidence by policy makers. Through network governance, democracy becomes more functional: it empowers people and groups, enhances the quality of public policies and



their outcomes, improves accountability, adds legitimacy to the policy process, and enriches state policy capacity. The involvement of CSOs in network governance enables social capital to be built and sustained to help actors pursue shared goals in development. In fact, as Putnam (2000) suggests, civil society is highly relevant to social capital, which is a ‘collective value’ that can both build and bridge social networks, enabling them to play important roles in policy formulation and execution.

Public administrators, private sector bodies, NGOs, and citizens—the actors or stakeholders—take on the role of *entrepreneurs* or *problem solvers* in the networks they fabricate. Here, “problem solving, joint responsibility, continuous performance-based and collective learning become potential building stones of a viable alternative strategy” in deliberative policy development (Hajer and Wagenaar 2003, p. 10). This enhances the potential for issue-based CSOs to contribute to policymaking in a variety of development sectors (Sørensen and Torfing 2005; Kickert et al. 1997).

## Policy Networks and Stakeholders in Network Governance

In network governance, key actors include people’s representatives, bureaucrats, stakeholder and interest groups, professional associations, epistemic communities incorporating academic bodies and learned organizations, CSOs, federating ‘peak’ bodies, citizens’ coalitions, and so forth. At the core of network governance there are collaborations and interdependencies between state and non-state stakeholders in any development policy sector working for mutual benefits (Agranoff and McGuire 2001). It is argued that in issues such as poverty alleviation, “an institutionalized form of engagement framework can work well in assessing poverty needs, which, in turn, can be integrated analytically into a task network so that their interrelationships with other bodies ... can be identified and the scale of their risks anticipated” (United Nations 2008, p. 41).

In achieving desired results in various development sectors such as poverty alleviation, healthcare, education, social housing, capacity building, and environmental management, network governance enables participation and collective action by relevant stakeholders in policy formulation and project implementation. Extensive and intensive consultation with concerned stakeholders is the way to go in achieving positive policy outcomes. The governance praxis underscores the pluralist nature of the policy process; it can be realized through the formation of policy networks linking state and non-state actors who share similar policy choices and agree on the instruments needed to attain goals. Network governance will flounder if it is exclusionary at any level—either local (sub-national, provincial or national) or global (including regional). For networks to incarnate the democratic ethos and to positively realize their goals, it is important for them to be inclusionary, both in terms of incorporating diverse representation in their ranks, and of giving constituents equal opportunities to contribute towards policy design and implementation. Inclusion injects legitimacy into the process by offsetting elite dominance, fostering

democratic decision making, ensuring transparency of operations, and building a sense of ownership amongst all participants (Reinicke and Deng 2000, pp. 69–71; see also Castells 2000).

In some Asian countries (India and Sri Lanka, for instance), even where democracy has been practiced for many decades, we find a high degree of state domination but where non-state stakeholders are gradually making their presence conspicuous. In most other Asian countries (e.g., Singapore, Indonesia, and South Korea), the corporatist approach is the prevailing mode, the government being selective in including its preferred groups/networks in the policy process. Maintaining consistent links between the government and political society (consisting of non-state actors) has been a problem, and this disables the latter in influencing pro-people policies. Such is the case in Bangladesh. Nevertheless, Bangladesh's non-state actors "have found a niche in the gap between society and state, seeking to promote people's welfare through grassroots initiatives" (UNDP 2014, p. 106).

## Network Governance in Asia

Network governance is still feeling its way in Asia, although rudimentary forms of policy networks have been around for a while. Systematic evidence on their nature and working, however, is scanty. Research has mainly concentrated on civil society in general, on CSOs in particular, and their role in participatory development. Stress has been on people's and stakeholders' involvement in designing and implementing local projects in social sectors. From the empirical literature on civil society dynamics, we can extrapolate the interrelationships among CSOs, the articulation of their ideas on specific issues, approaches towards the realization of their mission, and their relevance to the public policy process. Because of its western pedigree, the notion of network governance *per se* may not be conventional, or at least it is yet to be cogently incorporated into Asian development or policy discourse. However, considering most of its attributes, it is generally being acknowledged in some countries as integral to the policy phenomenon. In other countries, by contrast, policy networks are treated with disdain and kept at arm's length by the political leadership, regardless of the contribution they can make to sound policy development.

The social-political context in which network governance is pursued in Asia influences its character and dynamics. Except for India, which has been practicing democracy ever since gaining independence, and, to some extent, Sri Lanka, which has had various forms of democratic government despite ethnic conflicts, none of the other Asian countries have experienced democratic rule for long periods. South Korea, Taiwan, and Singapore have only recently shed their bureaucratic-authoritarian guise to some extent, while Malaysia has been under continuous one-party dominance since independence. Pakistan, Bangladesh, and Thailand have had their fair share of military rule, quasi-democracy, and electoral democracy over the years, while both the Philippines and Indonesia have rid themselves from long episodes of authoritarian rule. Most of these countries are still in transition and, despite dif-

difficult political terrain, are making strides towards democratic consolidation. They are gradually reflecting elements of integrated and participative political culture, as opposed to the fragmentation and parochialism that have long characterized their approach to political objects and events.

Generally speaking, Asian societies and polities have shown a propensity to accept the usefulness of civil society and the networks it creates as key variables in democratic praxis. Network growth is noticeable, particularly as the networks—rather than posing threats—seek to connect society with the state and contribute to democratic institutionalization. CSOs with similar objectives have formed networks to influence governments on social and economic matters. At times, they have played important roles in incorporating their ideas on a variety of issues in the public policy agenda (Case 1993). They serve as agents of change, organizing people and groups such as NGOs, fraternities of intellectuals, trade unions, student groups, social activists, advocacy coalitions, and the like, for working together towards common goals for policy reform. In some places they have formed powerful alliances, constructed their narratives of problems and problem resolutions, and made their presence felt in the policy universe.

## East Asia

China presents a classic case of policy making in a communist state that is gradually opening up to outside influence. In the past, the policy process was insular, totally dominated by the inner circle of the Communist Party. Civil society was almost non-existent or worked covertly. However, different varieties of CSOs have emerged in recent years; some are state-sponsored, decentralized but regulated social entities with close links to the state, while others are social groups advancing common goals but disregarded by the state. The corporatist element is clearly noticeable in China. Gallagher (2004, p. 421) points to “the role of the state in initiating, running, and controlling [the former] groups ... through mutual penetration, converging interests, and co-optation. Under state corporatism, associational life is strictly controlled by the state”. CSO activities are under constant surveillance, and those deemed “superficially apolitical” are allowed to work in healthcare, environmental protection, disaster management, and other social sectors (Bertelsmann Stiftung, BTI 2012e). As China moves from a totalitarian political system to one that is more liberalized and open, the extent and quality of participation perhaps have been increasing (Teets 2011).

The democratization process that began in South Korea in the 1980s was to a certain degree the product of a movement in civil society, which sought freedom from long-term bureaucratic-authoritarian rule. CSO alliances made notable contributions in consolidating democratic institutions and practices and in crafting the social agenda and economic restructuring and reform (Kim 2004). Yet despite breakthroughs in democratic consolidation in South Korea, the policy process still remains a closed activity. Policymaking as a transparent phenomenon is not quite

effective in dealing with complex social problems, and the successive governments have been oblivious to the shortcomings of policy strategies and instruments. Secrecy enshrouds the process dominated by a small band of elite policy makers, and the absence of “an effective decision making system [hampers] effective communication between policy stakeholders [who need to] coordinate their legitimate demands”. In South Korea, therefore, network governance suffers from the lack of participation of genuine stakeholders in policy agenda building, policy formulation, implementation, and evaluation. The government only allows policy input from those it can trust to support its policy ideas (Ha et al. 2009, p. 650, 662).

## Southeast Asia

CSO networks in Malaysia contribute to “processes of negotiating, building trust, and setting rules among diverse elements”; they help “bridge gaps or fortify links between political parties’ leaders, members, and perspectives” (Weiss 2006, p. 6). Their active presence has had major influence, even on a one-party dominated government, and served some useful purposes in policy change. In the past the activities of these networks were severely constricted by the government’s overly regulatory tactics, but in recent times they have been operating with more freedom. They are now more effective in raising state capacity through reciprocal moderation and collaboration (Ibid.), though their policy influence is often regulated by strict laws that reduce their role (Bertelsmann Stiftung, BTI 2012a).

In New Order Indonesia (1965–1998), the political space available to CSOs was rather narrow, being accessible only to a small band of participants who were chosen by the state and who supported its policies and actions. During the next period—called the post-Suherto *Reformasi* era—the political space expanded, enabling new networks to emerge or reenergize themselves and provide greater input in policy discourse (Aspinall 2004). However, even within a democratizing environment, the policy arena is overwhelmingly dominated by ministers and bureaucrats who are deeply engaged in political transactions between the ruling party and other group interests close to the political leadership. Citizen input into the policy process is mainly confined to the local level (Bertelsmann Stiftung, BTI 2012b).

Civil society has been slow to emerge in Thailand, given persistent political instability since 1932, when absolute monarchy gave way to coups and counter-coups. The country has therefore experienced several changes to its constitutional character. Decades of political turmoil adversely affected the party system by making it weak and incoherent. In recent times, the people began to manifest their participation in public affairs. Cordial state-business relations have begun to give business alliances a greater say in policy formulation. Despite antagonistic state-NGO relations, NGOs have been able to play a key role in policymaking, particularly in the health and environmental sectors (Bertelsmann Stiftung, BTI 2012c; Guan 2004).

In Singapore, compliance and vertical linkage between state and society are managed by the perpetual governing party—People’s Action Party (PAP) (Case 2001).

The country has a unique civil society-state relationship that is typified by collaboration or partnerships between the state, the private sector, and interest groups such as labor unions (Conteh 2009; Lee 2002). The policy process appears to conform to corporatism, with the government utilizing “a complex battery of controls and incentives to influence the public’s social and economic behaviour in many circumstances” (quoted in Mauzy and Milne 2002, p. 35). The state and PAP have remained closely intertwined and have been ubiquitous in societal life. Because of the state’s corporatist nature, “sectional interests are submerged, allowing the state to focus on uniform socio-economic development at the expense of political diversity” (Bierling and Lafferty 1998, p. 293). The government has full command over the policy process and is cautious about intelligence and recommendations they may offer regarding specific policies. Some policy networks are embraced because of their ideas being congruent with those of the government, while others are eschewed for “any direct challenge to [the state or PAP’s] political domination or core values” (Kadir 2004, p. 325). The “steering capacity” of the government is strictly maintained and policy priorities and strategies are stipulated and executed without being constrained by “powerful economic interests or foreign governments” (Berltesmann Stiftung, BTI 2012d).

A pendulum effect is noticeable within civil society in the Philippines. With each regime change, CSO influence swings: one group of CSOs is more influential during one regime, while an alternative group enjoys more clout under a different one. This shifting CSO empowerment/disempowerment has fragmented civil society, its dynamics being affected by unwarranted political intervention. Opposing elites have been engaged in unending skirmishes in advancing conflicting policy ideas (Franco 2004). Often, politically patronized vested interests have clear leverage over those that are remote from the centers of power. The former manipulate the shaping and execution of policy and hinder the emergence of cohesive, purposeful, and democratically premised network governance (Llanto 2007).

## South Asia

The South Asian scene is somewhat different from that in East and Southeast Asia. Most countries of the region have been under British colonial rule and share a common history; after gaining independence, they have displayed variations in the development of their respective political systems. Three countries—India, Pakistan, and Bangladesh—all started with variants of democracy, but while India succeeded in sustaining democratic rule (albeit with occasional miscues), democratic institutions collapsed in Pakistan due to the interplay of parochial political interests in the largely divided nation. India built its political institutions on British traditions of political competition and representation. Its political culture since independence has reflected consensualism, tolerance, and accommodation in resolving conflicts, as far as practicable, despite ups and downs in politics. In the other two countries, the process of democratic consolidation has stumbled in the aftermath of several

episodes of military rule. Democratic politics has been experiencing a checkered path due to systemic fragility, institutional defects, continued political confrontation between ruling and opposing parties, and, more importantly, disdain for democratic values by the leadership. Accordingly, in comparison with Pakistan or Bangladesh, civil society in India is far more robust, dynamic, and “engaged in alternative strategies, mechanisms, and visions of development, society, and politics” (Behar and Prakash 2004, pp. 191–192). India’s state-CSO relationships may vary, however, they are either collaborative (involving CSO-government partnerships in public programs), cooperative (CSOs working with the government but critical of government policies), or negotiation-oriented (CSOs highly critical of and opposed to certain policies but willing to moderate their stance) (Ibid., p. 203). Some CSOs have a strong institutional base and committed leadership that make them assertive in public affairs and policy making. They serve as effective non-state actors in network governance (Bertelsmann Stiftung, BTI 2012f).

The entrenchment of authoritarian politics in Pakistan thwarted the emergence of an effective civil society, or at least it failed to create an enabling environment for its development. A continuous power struggle between military, bureaucratic, and political elites, though often overlapping, has marred the formation, consolidation, and expansions of CSOs. During military rule, CSOs were generally sidelined. Yet even in unfavorable conditions, associational alliances began to emerge in the 1980s in response to authoritarian repression and human rights breaches. Today, most CSOs are engaged in development enterprises, but they also serve advocacy purposes. These networks do serve important purposes in development planning and in influencing the social agenda. With business activities increasing from the 1990s, federations of commerce and industry and other business alliances have been providing some input to policy development (Shah 2004). For all that, policy networks “have to compete with the (hidden) power of interest groups like the army or the clergy” (Bertelsmann Stiftung, BTI 2012g).

The political system in Bangladesh is polarized and highly charged. Since the restoration of democracy in 1991, the two major parties have been at loggerheads on most basic issues of governance and have adopted confrontational postures. This is also reflected in civil society, which is fractured and partisan. Most CSOs belong to one of the two opposing camps (Parnini 2007). Along with interest groups, which in some ways constitute policy networks, the CSOs “are organized along party lines”, and whichever party is at the helms every five years patronizes and gives the groups of its choice access to policy discourse. This happens during the preparation of the annual budget or development plans. Chambers of commerce and industry, manufacturers’ associations, and peak bodies of NGOs “are more vocal on political issues and try to exercise influence over the government and political parties” (Bertelsmann Stiftung, BTI 2012h). The policy advocacy role of CSOs has been remarkable, although most of what they profess or try to get incorporated into policies remains unheeded. On the other hand, CSOs have been playing an effective role in policy implementation in such sectors as family planning, nutrition, healthcare, and environmental protection, and they do so in partnership with the government (Pelon 1999).

**Table 4.1** Significant challenges in network governance

Regions	Challenges
<i>East Asia</i>	Getting over the strictures of corporatism
	Organizing a more open and transparent policy process
	Creating more space for genuine stakeholders
<i>Southeast Asia</i>	Generating more reciprocal moderation and collaboration among stakeholders
	Reducing the domination of state actors in policy making
	Lessening the rigid steering influence of the state
	Getting rid of unwarranted political intervention
<i>South Asia</i>	Designing strategies for effective collaborative, cooperative, and negotiative procedures
	Attenuating the struggle between military, bureaucratic, and political elites where this exist
	Depoliticizing policy networks

Although similar challenges confront network governance regimes in all three regions of Asia, it is possible to identify certain attributes that are peculiar (but not exclusive) to each region (see Table 4.1).

## Policy Networks in Practice: Selected Cases from Asia

As has been indicated before, network governance is still embryonic in South and Southeast Asia. It is gradually taking shape, perhaps extemporaneously, without design and beyond the cognizance of those involved. Thus ‘true’ forms of policy networks, as conceptualized in the literature, are rare. It is nevertheless possible to locate their presence and functioning, even if to a limited extent. The following sections provide ‘snapshots’ of policy networks operating in different sectors in certain East, Southeast, and South Asian countries. The snapshots contribute to understanding collaborations, partnerships, strategic alliances, advocacy coalitions, community development initiatives, and the like. These policy networks work in tandem with the state, contributing to policy change and implementation and the socio-economic context in which they operate.

### Health Policy Network in Thailand

Health is a key area in human development, and it is in this sector that we find relatively successful forms of network governance. According to the researcher Green (2000), Thailand’s healthcare is dispensed by public, private, and non-state providers, the former offering a much wider range of services than the latter two, who work



in specific locations and with limited scope. The Ministry of Public Health (MPH) is in charge of this sector and delivers services at different levels, from the national to the local. Administratively and financially, it manages all public hospitals and clinics, recruits and trains health professionals, and regulates the accreditation of medical schools. The private sector basically runs for-profit health enterprises such as hospitals, clinics, and pharmacies that are mainly located in metropolitan areas. The non-state health sector is run by NGOs—groups tending to offer specific kinds of services such as post-natal care, family planning, HIV/AIDS care and awareness campaigns, disaster relief, and emergency services. Prominent NGOs are the Rural Doctors' Society, the Family Planning Association, and advocacy groups on different health issues.

The health policy network in Thailand, apart from including the government agencies (MPH, National Economic and Social Development Board, Bureau of Health Policy and Planning, National Epidemiology Board, and Health Systems Research Institute), also includes several business and non-state actors such as technical advisory panels consisting of specialists, researchers, and NGO representatives. Other actors in this network are joint public-private coordinating committees, politicians with business interests in the health sector, the Board of Investment (which encourages private assets, such as hospitals), and the Private Hospital Association, which “represent[s] the interests of the increasingly powerful private-for-profit health care providers” (Green 2000, p. 47). Then there are NGOs, bodies conducting health-related research (like the Health Promotion Institute), trade unions including the Thai Medical Association, and, of course, international agencies (WHO, ILO, and SIDA, to name a few) (Tantivess and Walt 2008). The actors have been instrumental at various times, interacting with the government and amongst themselves in advancing prescriptions and advice on health policies. CSO campaigns have opened up avenues for dialogues with the government; at times they “became ‘insiders’ in the policy process, involved in developing policy for implementation” (Ibid., p. 332).

## **Participatory Forest Policy Network: India**

Social forestry is a key area in development that has potential for close networking between a line-up of stakeholders. While evidence suggests that state-civil society partnerships are useful in developing forestry management policies (Zafarullah 2004; Kumar 2002), the development of forestry policies depends on insight into problems, needs, and priorities, and such insight can only be acquired through continuous research. In this respect, networks can play a definitive role. Borgoyary's (2006) exploration provides perspectives on the research policy gap in participatory forestry in India, and the role played by networks in influencing policies. These perspectives serve as a platform for lobbying and advocacy and bridge the gap between evidence and policy. Borgoyary's study shows how three different networks with different formations and configurations have functioned as ‘connectors’ or ‘policy champions’ in order to contribute to policy change.



Borgoyary (Ibid.) notes that the policy networks created awareness on important issues, provided access to a pool of information and ‘options’, and provided a platform for the exchange of information for consultation. Obviously, these positively contributed to enhancing the quality of policies relating to social forestry and management in the country. These networks did their own research, generated evidence, and shared their findings with the policy community and policy makers in government, who also sought solutions from the said networks. Regular interaction between the networks, policy community, and governmental policy makers helped dilute tensions and made the policy process more participatory and transparent.

## Community Development: South Korea

On the local level, network governance has tremendous potential and scope to facilitate development. The ‘Happy Korea’ initiative is an interesting example of active collaboration between a number of state and non-state actors at the local level to enhance community living from social, cultural, and economic standpoints. Stakeholders (that is, local government councils, private firms, CSOs, and communities) form alliances “to share knowledge, to advocate, and to take action” for the purpose of building “beautiful, comfortable, and characteristic communities” with the financial support of the national government (Park and Park 2009, p. 91, 97). The project, which is coordinated and managed by the Ministry of Public Administration and Security, monitors community-based planning and implementation. Local government bodies corresponding to each community serve as the link between the latter and the national government. This is an example of government-led network governance. Specifically, the national government plays the *initiating role* (providing economic incentive, encouraging participation, and evaluating performance), the local government plays an *intermediating role* (delivering information and coordinating), and the community takes on a *practical leading role* (suggesting ideas for development and decision making and production). The central thrust of this initiative is to help develop a sense of ownership amongst communities and to encourage people’s genuine participation.

## Private Sector Development Network: Singapore

The Singaporean state, as Conteh (2009) makes clear, is at the center of development, be it in the public or private sector. The economy has flourished over the years through ‘pragmatic’ national planning, incorporating both statist and market-influenced approaches with a focus on private sector development (Conteh 2009; Alten 1995). Within the policy process related to private sector development, a number of statutory economic development agencies are engaged in providing strategic directions. The Economic Development Board (EDB) is the principal national agency coordinating private sector development. Its main functions are to enter into part-

nerships with industrial enterprises, to provide technical advice and assistance, and to manage, supervise, control, and invest in industrial enterprises. Other agencies in urban infrastructure and residential development, such as the Jurong Town Corporation, the Housing Development Board, and the Urban Redevelopment Authority, are linked together in a network responsible for information sharing, decision making, and action. Specialized sections in each of these organizations liaise and interact with their counterparts and provide financial, technical, or consultancy services to prospective clients. Thus, multinational corporations, government-linked companies, and local enterprises are intertwined within the network and obtain support in their activities. Conteh (2009, p. 78) elucidates:

This model of network governance conditions the policy implementation environment such that the operation of collaboration among public agencies and private actors does not compromise the leadership of the state or conflict with some level of intra-organizational hierarchical systems within the administrative machinery of the state.

Thus, network governance in Singapore is state-centric, and like all other state initiatives, is also regulated by the state.

## **Urban Health Insurance Reform Network: China**

China's social-political situation is different from that of other Asian countries, and so also is its approach to network governance. Networks themselves find it hard to operate freely; they are constrained by legal norms and consequently face hurdles in going about their work. CSOs have limited room for maneuver and find it difficult to influence government policies (Zheng et al. 2010; Fulda et al. 2012). The reform of urban health insurance is one area which has seen collaboration mainly between state agencies, and with limited input from outside interests. The reform of the health insurance scheme was to be both government-oriented and market-subordinated, meaning the state was to be at the center of the changes. The Coordinated Organization of Health System Reform was created with eleven government departments and outside experts. This body was supervised jointly by the National Development and Reform Commission and the Ministry of Health. International organizations such as the World Health Organization and the World Bank, an external private consulting agency, national academic and research institutions (Peking and Renmin universities), and the Development Research Center were also brought into the network, and their ideas on reform were elicited. Provincial and local governments, supervisory agencies for medical institutions and pharmacies, insurance companies, hospitals, doctors associations, and patients played only a cursory role in the policy formulation phase, and the entire reform process was overtly directed by the State Council, with infrequent interaction between the other actors. As Zheng et al. (2010) points out, this approach did at least avoid deadlock:

[F]ragmentation among different ministries make univocal policy-making difficult, and competing decision-making centers thus emerge. This, in turn, produces a deadlock. No actor will be able to execute sufficient authority to bring about the required policy changes to bring the reform to a successful end.

## Early Childhood Development Network: Bangladesh

A key element in any human development initiative, one recognized by the international development community, is early childhood development. The United Nations' Millennium Development Goals include two that are especially relevant to children: the eradication of poverty and achieving universal primary education. Since children are victims of hunger, poverty, and lack of education, their needs must be fulfilled not only in order to ensure their good physical health and well-being, but also for sake of their intellectual and cultural development (<http://www.undp.org/content/undp/en/home/mdgoverview.html>).

Bangladesh provides a solid case of network governance in this area; governmental, non-governmental, and international agencies have worked together with academics and research institutions to find solutions to Early Childhood Development (ECD) problems. Among the many objectives of Bangladesh's ECD network, four are worth particular mention:

- Advocate for and support the government in preparing and implementing a national policy and framework for ECD initiatives throughout the country
- Strengthen ECD capacity in Bangladesh by ensuring co-ordination of ECD activities and convergence of ECD best practices among ECD partners
- Support the establishment of a solid knowledge base and organizational culture on ECD, as well as facilitating a common understanding of the concept of ECD and of the whole child approach underlying ECD efforts within the network
- Support ECD partners in sharing information about ECD activities and research as well as ensuring that the same partners can gain easy access to new information and knowledge on ECD (ECD 2012)

The network is managed by an executive committee consisting of representatives of the government (Ministries of Women and Children's Affairs and Primary and Mass Education), a national, a local, and an international NGO, the United Nations, and the academic community. It has made significant contribution in formulating the policy and operational framework for pre-primary education in Bangladesh. Most of what the network does is through regular interaction between the government and all the constituents. Technical teams work with inter-ministerial bodies to monitor the progress of policy implementation and to adopt other measures supporting ECD. Its annual national conferences are a platform for knowledge-sharing, reviewing ECD activities, evaluating the implementation of relevant policies, and providing solutions to problems (BEN 2008).

## Roll Back Malaria: International, Regional

Roll Back Malaria (RBM) is a tri-sectoral network involving partnership between the public, private, and civil society sectors. The general aim of this global network is to eliminate or reduce malaria from the planet. At the national and sub-national

levels, its implementation program is mainly targeted towards developing countries. Launched by the World Health Organization (WHO), UNICEF, UNDP, and the World Bank, it pursues three rather specific aims:

- Support malaria endemic countries in developing their national health systems
- Undertake to develop the broader health sector (i.e., all providers of health care to the community)
- Encourage the needed human and financial investments, national and international, for health system development (Ballegoyen 2000)

WHO is at the core of the ‘inner circle’ of the RBM network. It provides strategic direction and funding to the program and builds and sustains partnerships amongst other agencies representing the three sectors. It fulfills these tasks through seven constituencies: national health departments and services in malaria-endemic countries, multilateral development partners, private sector organizations (mainly medical related industries), the epistemic community (universities and research bodies), CSOs (including health-related NGOs), philanthropic foundations, and non-voting ex-officio members (RBM 2011; see also <http://www.rbm.who.int/mechanisms/ec.html>). The organizations that make up the ‘outer circle’ serve only as outposts of the network and have very little influence on the decisions of the inner circle. They provide information to the network and in turn are fed with policy prescriptions and plans of action. Actually, the relationship between the inner and outer circles is not clearly defined and thus leaves a lot of room for confusion and speculation. Nonetheless, interactions between various working groups (advocacy, communication, harmonization, vector control, procurement and supply management, monitoring and evaluation, and malaria in pregnancy) add value to the overall purpose of the network.

## Concluding Comments

Network governance in Asia, like the spectrum of civil society as a whole, is still crystallizing. It will take a while before policy networks there conform to conceptual ideal types or become closer in character, substance, and role to those at work in pluralist democracies in the West. The Asian networks are unique in composition: there are vertical, horizontal, and lateral relationships, numerous modes of engagement with constituents, and interactions with other networks, especially with the policy system. Since most of the groups involved in the networks operate within a policy structure that is far from democratic and essentially dominated by state bureaucracy, their inputs to the making and unmaking of policies, their influences on ‘official’ actors such as the political executive and legislators, and their obligations to societal demands remain circumscribed. Network relationships are adversely constrained by lack of trust, reciprocity, or mutuality, particularly whenever there is a tendency among certain interests to dominant or even capture the network itself. In China, South Korea, and Singapore, networking is highly formal in nature,

and inner circles within networks dominate the process. Informal forms of social interaction are much less appreciated and ignored, or they are formalized to the advantage of the network or certain actors within it. Interplays and interventions of network constituents are more common in other parts of Asia, with CSOs obtaining greater recognition for the roles they play.

Networks, as platforms for sharing ideas and information, do facilitate communication, both vertically within their ranks, and horizontally with other networks and society at large. From some of the case studies mentioned in this chapter, we do get an indication of creativity and innovativeness happening, but consensus is difficult to reach in all situations. Very rarely do we find a win-win situation. More often than not, state actors have their way, particularly where partisan politics overpower societal interests. In such cases, the participation of non-state actors simply becomes a pretense rather than a serious commitment by the government to genuinely incorporate stakeholder perspectives on policy issues. Due to the prevalence of state-governed networks, it is rare to find participant-governed networks at the national policy level. Perhaps only at the local project level can one actually notice some measure of participation. In development, government-led network governance is more common in macro-economic planning, with some input from private sector alliances such as chambers of commerce and industry, trade union federations and the like. Partnership types are present in infrastructure development enterprises, such as in the energy, transport, communications, and housing sectors, to name a few. Nonetheless, participatory networks composed of communities and NGOs have begun to make inroads in social development initiatives focusing on healthcare, education, and the environment.

More in-depth research needs to be done to ascertain the presence of networks in Asia, the modalities of their working, and the problems associated with realizing their goals. It is critical to understand social, political, and economic contexts in order to assess network performance and how exactly they contribute to policy making and implementation, not to mention the outcomes. While Asian governments are gradually acknowledging the usefulness of networks in statecraft, they should take more concrete steps to facilitate their participation, not merely as a formality, but as a means of enabling them to make meaningful contributions in public affairs. Network governance will be able to uphold a democratic ethos only when exclusionary norms are offset by greater inclusion.

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# Chapter 5

## Public Management as a Building Block for Governance: Drawing on the Experiences of Hong Kong

Ahmed Shafiqul Huque

### Introduction

Developing countries strive for good governance because it ensures a number of features and arrangements that contribute to an effective and equitable system for governing. The values of equality, efficiency, equity, productivity, participation, democracy, rule of law, transparency, accountability, and responsiveness are universally acclaimed and provide an optimum framework for governing a country. Achieving good governance is a major challenge for developing countries, partly due to its extremely wide scope and ambitious goals that require highly efficient personnel and effective organizations as well as legal and political systems that have the capacity to establish and sustain it. Despite substantial investments in resources and reorganization, the limited capacity of developing countries hinders the achievement of governance. An alternative approach could be to aim for attaining the desired outcome of governance by carefully designing and effectively implementing programs of public management with a limited scope, and by building the framework of governance gradually. This chapter discusses the case of Hong Kong in order to demonstrate that public management programs can serve as building blocks for creating a framework of governance; over time, the integration of these efforts can help ensure the benefits of governance without undertaking enormous risks by attempting comprehensive changes that may not succeed. Public management refers to the trend of running government units, at least to some extent, according to the principles used to run private businesses. This will be elucidated further in section two of this chapter.

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Governance is defined in a variety of ways, and the diverse nature of definitions makes it a moving target that is difficult to reach. Generally, the process of governance represents efforts aimed at incorporating a series of changes in a country. Studies on governance lead us to believe that most problems in modern societies can be resolved by putting together a number of principles and practices that ensure the well-being of all members of society. Good governance is conceptualized as a combination of values and practices that are corruption-free and based on rule of law. Many of these values are highlighted in the framework of public management as well. However, a critical distinction emerges due to the political nature of governance, while public management remains rooted in administrative principles and practices. It can be argued that governance may remain unattainable in developing countries as long as the political element dominates the process.

This argument can be illustrated with reference to cases that seek to establish governance in a non-political framework, and Hong Kong, in this chapter, is used as an example to support the point. The territory was administered as a British colony until its integration with China in 1997. Before 1997, the strength of the system derived from the tradition of colonial-style governing with power concentrated in the office of the governor and a simple structure of administrative organizations. The changed status of Hong Kong entailed transforming a former colonial territory into a special administrative region of China under the framework of “one country, two systems”. It was a complex undertaking, and public management reforms were used to update and adjust structures, relationships, and practices in the public sector. It is pertinent to compare the success of present-day Hong Kong to the situation prevailing in developing countries in general. Many of them lack the capacity and resources to establish good governance. Nevertheless, in this chapter, it will be argued that an effective system of public management can be an alternative approach for building a framework of governance.

Governance has remained unattainable in developing countries partly because many of the problems that arise when trying to establish governance are political in nature. Political systems in developing countries are weak and/or undemocratic, and regimes are often unable to establish their claim to legitimacy. Public management, by contrast, is rooted in administrative traditions and practices that are subject to periodical reviews and reforms. This chapter argues that in developing countries, it may be worthwhile focusing on attainable public management programs instead of aiming for the much larger goal of governance, particularly because the latter has little prospect of materializing due to the social, economic, and political circumstances, and the limited capacities of governments. The alternative approach of public management can help create conditions that approximate good governance. In Hong Kong, many of the improvements in the process of governing, delivering public services, and caring for citizens have been facilitated through a series of public management reforms and programs. This point will be substantiated by referring to the progress made by Hong Kong as reported in the World Governance Index, and through comparisons with advanced nations such as the United Kingdom and the United States of America and their respective scores on specific governance indicators.

## Governance: A Complex Concept

In academic and political discourse, governance is presented as a concept that encompasses *all* the desirable features that can contribute to improving conditions in modern states. It features high on the agenda of governments and the international community, who are equally keen to see good governance that has the potential to alleviate many problems in modern governments. It is expected to assist with making amends for past errors and inadequacies in the social, economic, and political system, as well as with charting the course to ensure continuous improvement. But beyond these points of agreement, there is no consensus on what constitutes governance—as will now be elucidated.

The notion of governance was first noted in the late 1980s, mainly due to a growing awareness of the need to reduce the role of the state in the economy. Frischtak (1994) describes governance as the exercise of democratic government, which guarantees the dominance of the rules of economics over those of politics. Rhodes (1996, pp. 652–653) emphasizes that governance relates to “a change in the meaning of government, referring to a new process of governing; or a changed condition of ordered rule; or the new method by which society is governed”. These ideas are useful in understanding the trajectories of changes, but they leave the definition of governance vague and thus difficult to operationalize.

“At the most general level”, says Bevir (2011, p. 1), “governance refers to theories and issues of social coordination and the nature of all patterns of rule.” The World Governance Index’s (2013) definition develops much the same idea:

[Governance] consists of the traditions and institutions by which authority in a country is exercised. This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them. (WGI 2013)

The concept of governance attained prominence in developing countries with the publication of two reports by the World Bank—*Managing Development: The Governance Dimension* (1991), and *Governance and Development* (1992). Both documents highlight the role of governance in designing policies and implementing them in order to achieve a variety of goals.

Add to this Stoker’s (1998) definition, which involves establishing rules for a community, making allocative decisions for the community as a whole, settling conflicts over the rules, and mediating disputes between individuals and groups. Nossal (2003, p. 368) expands the definition further: “Governance also involves the exercise of authority, that fascinating human practice of submitting obediently to the orders of others without having to be forced, coerced, induced or persuaded to do so”. The UNDP (1997) takes a broader view and suggests that governance is the exercise of a nation’s political, economic, and administrative powers or authorities at various levels, and it covers the institutional and procedural mechanisms for citizens to realize their interests and rights, carry out their obligations, and negotiate their mutual differences.

While definitions such as that formulated by the UNDP emphasize the spirit of democracy and public service, Kempe R. Hope compiles an elaborate list with a very wide scope of conditions and requirements that he argues are essential for a country to achieve good governance:

the existence of political accountability, bureaucratic transparency, the exercise of legitimate power, freedom of association and participation, freedom of information and expression, sound fiscal management and public financial accountability, respect for the rule of law, a predictable legal framework encompassing an independent and credible justice system, respect for human rights, an active legislature, enhanced opportunities for the development of pluralistic forces including civil society, and capacity development. (Hope 2006, pp. 591–592)

The Institute on Governance has also developed a complex working definition:

[Governance is] the art of steering societies and organizations. Governance occurs through interactions among structures, processes and traditions that determine how power is exercised, how decisions are taken, and how citizens and other stakeholders have their say. Governance is about power, relationships, and accountability: who has influence, who decides, and how decision makers are held accountable. (<http://iog.ca/about-us/defining-governance>)

But consensus is still ‘around the bend’. Peters (2002) explains the governance framework by saying that it consists of legitimate input from a wide range of actors whose participation is a central part of the decision-making process. This thought is shared by Lynn et al. (2000, p. 2), who observe that “Despite ambiguity of definitions, governance generally refers to the means for achieving direction, control, and coordination of wholly or partially autonomous individuals or organizations on behalf of interests to which they jointly contribute”. These ideas highlight the political nature of governance and emphasize the process through which power is shared and exercised, critical decisions are made, and privileges and benefits are distributed in a society. To establish governance, therefore, it would be critical to have a well-developed political system that operates according to established rules and regulations, with stakeholders behaving according to predictable patterns.

As the years go by, the definitions of governance have increased in complexity. One complex yet popular definition is formulated by the United Nations Development Programme:

Governance is the system of values, policies and institutions by which a society manages its economic, political and social affairs through interactions within and among the state, civil society and private sector. It is the way a society organizes itself to make and implement decisions—achieving mutual understanding, agreement and action. It comprises the mechanisms and processes for citizens and groups to articulate their interests, mediate their differences and exercise their legal rights and obligations. It is the rules, institutions and practices that set limits and provide incentives for individuals, organizations and firms. (UNDP 2007)

This definition could be said to highlight the theme of interdependent networks involving state and non-state actors. The theme is also addressed by Rhodes (1997, p. 53), who defines governance as interdependence between organizations, continuing interactions between network members for exchanging resources and negoti-

ating shared purposes, actions rooted in trust and regulated by rules of the game agreed upon by network participants, and a significant degree of autonomy from the state. Networks are therefore critical elements for governance, and there should be space and scope for developing them. According to Stoker (1998, p. 17), “Governance is ultimately concerned with creating the conditions for ordered rule and collective action. The outputs of governance are not therefore different from those of government. It is rather a matter of difference in processes”.

The notion of ‘ultimate concerns in governance’ broaches upon the desire to encapsulate the essence of governance. This is Hope and Hamdock’s (2002) proposal:

Good political governance is a societal state epitomized by, among others, the following characteristics: predictable, open, and enlightened policy making; a bureaucracy imbued with a professional ethos; a strong civil society participating in public affairs; adherence to the rule of law, respect for basic human rights and freedoms, and judicial independence; and consistent traditions and predictable institutions that determine how authority is exercised in a given nation-state including (1) the process by which governments are selected, held accountable, monitored, and replaced; (2) the capacity of governments to manage resources efficiently and formulate, implement and enforce sound policies and regulations; and (3) the respect of citizens and the state for the institutions that govern economic and social interactions among them.

But can the essence of governance be cooked down? For Zafarullah and Huque (2012, pp. 157–158), it is related to the “quality of governmental functioning and the positive responsiveness of state institutions for effective delivery of public services with utmost integrity, least discrimination, and respect for human rights”.

## Consequences of Complexity and Lack of Consensus

This sample of diverse definitions and descriptions indicates that there is as yet no consensus on what constitutes governance. However, an even bigger challenge than defining governance is the issue of implementing its many constituent elements.

Bevir (2009, p. 7) observes that “social scientists have developed a concept of governance as a complex and fragmented pattern of rules composed by multiplying networks”. Jessop’s (1996) description of the academic literature on governance as eclectic and relatively disjointed confirms the complexity. The theoretical roots include “institutional economics, international relations, organizational studies, development studies, political science, public administration and Foucauldian-inspired theorists”, says Stoker (1998, p. 18), and he stresses the need to develop a “governance perspective”.

It is not surprising that governance is described and interpreted according to the interests and inclinations of researchers, and this contributes to the confusion. Zumbansen (2012, p. 83) is concerned with the ambivalence of governance in past and present discourses on political, legal or economic order and society. He discerns that the focus often shifts with the emergence of new issues and circumstances. Lynn (2012, p. 53) highlights the ‘new’ or ‘changed’ types and forms of collective

action, arguing that the concept of governance is inherently comprehensive and extends to every aspect of both government and civil society, and redefining it so as to restrict its scope to certain types and forms of societal direction is “arbitrary and misleading”.

Nevertheless, as was stated at the beginning of this section, a number of actions and arrangements are generally associated with governance. The ideas of negotiation, flexibility, regulation, partnership, and coordination resonate across studies. The World Bank takes recourse in concepts such as this to create the World Governance Index, which identifies six dimensions of governance: voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and control of corruption. On the basis of these indicators, countries across the world are ranked according to their performance in establishing governance. Meanwhile, Grindle (2004) has recognized the unrealistic expectations that follow from these codified dimensions and the existing definitions of governance:

Getting good governance calls for improvements that touch virtually all aspects of the public sector—from institutions that set the rules of the game for economic and political interaction, to decision-making structures that determine priorities among public problems and allocate resources to respond to them, to organizations that manage administrative systems and delivers goods and services to citizens, to human resources that staff government bureaucracies, to the interface of officials and citizens in political and bureaucratic arenas ... Not surprisingly, advocating good governance raises a host of questions about what needs to be done, when it needs to be done, and how it needs to be done. (Ibid., pp. 525–526)

Although Grindle explores the concept of governance in the context of institutional capacity and capacity-building for development, the complexity she identifies is apparent in a number of areas. “Problems of definition, measurement and inference” are obvious in applying the concept and give rise to challenges in developing priorities and the allocation of funds, organizational capacity, human resources and skills, knowledge and leadership (Grindle 2011, p. S217). Similarly, in the *Oxford Handbook of Governance*, Levi-Faur (2012) demonstrates the extremely broad range and complex nature of governance with sections based on approaches, contexts, and theories.

This review of existing definitions of governance and its requirements suggests that it is impossible to fulfil all the conditions of governance. Hence some researchers—Ahrens (2001) can stand as an example—point out that there are still no clear or settled ideas about how effective governance should be defined, let alone how key governance ideas can be effectively incorporated. There are no perfectly adequate tools and measures to accurately assess the attainment of the requirements that could indicate success. The complexity and vague nature of governance, the influence of political factors, and lack of effective tools for measuring progress render it almost impossible for developing countries to plan and implement programs for good governance.

## Public Management Programs as An Alternative

Public management emphasizes a series of flexible strategies involving techniques and methods for making service delivery efficient, economically sound, and effective. These strategies constitute a useful point of reference when searching for alternatives to the traditional monolithic bureaucratic structures, procedures and relationships for improving management in the public sector. Generally, the objective of public management is to reduce expenditures, improve service delivery, and incorporate flexibility to enhance performance in managing public sector organizations. According to Hughes (1998, p. 52), public management represents “a major shift from traditional public administration with far greater attention paid to the achievement of results and personal responsibility of managers”.

Prominent targets in public management programs include reducing public expenditures, enhancing efficiency in the operations of public sector organizations, improving the quality of public services, and ensuring the effectiveness of public policies. Additionally, Pollitt and Bouckert (2004, p. 6) identify several intermediate ends such as politicians’ control over bureaucracy, public officials’ freedom from bureaucratic constraints, and public accountability. Along with the enhancement of economy, efficiency, and effectiveness, public management reforms intend to respond to weaknesses in a system or to meet new needs and demands. Public management reforms may also result in the establishment of new institutions and agencies. For example, in recent decades, many countries, as a result of criticisms and encouragement from the international community and donor agencies, have created new institutions to deal with corruption, environmental protection, and human rights.

Simonet (2008) examines the role of public management in the healthcare sector and identifies a number of features. These include “using market forces to serve public purposes; demanding organizational performance; fostering greater accountability and transparency from providers; increasing patient financial responsibility; looking for savings; providing higher quality services; bringing resource allocation closer to the point of delivery; using contracting-out; and enlarging the coalition of players” (Ibid., p. 619).<sup>1</sup> Judging by the steady expansion of the public sector and continuous changes experienced by governments in developing countries, it is not difficult to draw parallels between the design of public management programs and efforts to establish good governance. Thus, public management and governance aim at similar outcomes, although they are implemented through different strategies.

Public management programs and reforms entail continuous changes and adjustments within and outside the government to keep abreast of developments and strategies adopted within the society as well as in other parts of the world. These often entail designing, implementing and altering public sector organizations, the behavior of officials, and relationships amongst stakeholders. Generally, the pro-

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<sup>1</sup> I do not mean to imply that there are no problems related to implementing private sector features in the public sector. Some of these are discussed by Haroon Khan (Chap. 8 in this volume) and Mei Li (Chap. 12 in this volume).



grams emphasize accountability, responsiveness, representativeness, and the promotion of principles and practices established as standards in the private sector and across the world.

## Hong Kong: Governance Without Politics

In the nineteenth century, Hong Kong became a British colony. It was handed over to the People's Republic of China in 1997. Under its present status, a simple government structure is facilitated by the absence of strong political forces and acquiescence by administrative officials in implementing programs and reforms. The post of chief executive is at the apex of the governing structure, and the legislature and judiciary function independently. The executive councils advise the chief executive, and policies are implemented by secretariats, bureaus, and departments. Independent agencies play important roles in governing Hong Kong, combating and preventing corruption and conducting extensive audits of public expenditures. Their key role is to uphold integrity and financial probity in the operation of the administrative agencies.

Public management reforms and programs in Hong Kong are carefully planned with specific objectives in mind. Starting in the 1970s, the government's objective was to keep public expenditures under control, prepare and implement a balanced budget, ensure the maintenance of law and order, and get the voluntary sector to participate in delivering public services wherever possible (Scott 1986, p. 455). The distinctive features of Hong Kong were "minimal government, deference to authority, formality in administrative practice, and a high degree of centralization" (Lee and Huque 1996, p. 14). Table 5.1 presents an overview of the key themes of public management reforms in Hong Kong over four decades.

Civil unrest and high incidences of corruption in the 1960s sparked reforms resulting in greater scope for civil society to participate in public affairs and to prevent public servants from abusing power, maladministering, and overstepping their area

**Table 5.1** Public management reforms in Hong Kong: key themes. (Source: Ahmed Ahmed Shafiqul Huque, Can Public Management Contribute to Governance? Public Organization Review, 13(4) 403)

1970s	1980s	1990s–2000s
Facilitation of public participation	Agencification, market-testing and corporatization	Lean and efficient civil service
Improvement of channels of communication with citizens	Devolution of resource-management responsibilities	Improvement of 'entry' and 'exit' systems
Introduction of integrity and redress mechanisms	Review of policy management Functions	Review of pay and benefits
	Performance pledges and citizen charters	Reinforcement of performance and good conduct
		Ethical training



of jurisdiction (see Huque et al. 1998). A series of public management reforms initiated a number of noticeable changes. A more responsive system of administration was initiated with the establishment of an Independent Commission Against Corruption (ICAC) in 1974, a Complaints Against the Police Office (CAPO) in 1977, and a Commissioner for Administrative Complaints (COMAC) in 1988. An independent statutory authority of the Ombudsman was established “to redress grievances arising from maladministration in the public sector through independent and impartial investigations to improve the standard of public administration” (Hong Kong Government 2010, p. 27). The Efficiency Unit was created in 1992 to facilitate the introduction and implementation of public management reforms. Now, in order to ensure probity, the Office of the Director of Audit carries out regularity checks and value-for-money audits and submits its report to the president of the Legislative Council.

After establishing basic mechanisms for ethics and integrity in public service and increasing civil servants’ responsiveness to the citizens’ needs, the next round of reforms concentrated on improving financial management and service delivery. Reformers emphasized regular and systematic reviews of public expenditures, a proper system of policy and resource management, clear definitions, and the delegation of responsibility for policy implementation. The initiatives included establishing self-accounting trading funds, rationalizing public corporations and non-departmental public bodies, devolving resource-management responsibilities, emphasizing the policy management functions of central policy branches, procedural and structural changes within the civil service to promote awareness of costs and results, and transforming civil servants from administrators into managers (Hong Kong Government, Finance Branch 1989). During this period there were also efforts to prepare comprehensive plans to ensure social welfare services, because “societies have an obligation to assist their members to overcome personal and social problems and to fulfill their role in life to the optimum extent in accordance with the particular social and cultural development of their society” (Hong Kong Government 1995, p. 3). Thus, the objective of public management changed from ‘ruling’ in the 1970s to ‘administering’ in the 1980s to ‘governing’ in the 1990s—a process reflecting the gradual transition toward governance (Huque 2002).

Subsequent public management reforms in Hong Kong have aimed to streamline public management through maintaining a lean and efficient civil service, reviewing pay and benefits, improving the ‘entry’ and ‘exit’ system, providing diversified training for public officials, and reinforcing performance and good conduct. These initiatives are considered important for developing and maintaining a public service that can spearhead the process of effecting improvements in responsibility, responsiveness and ethical management. In addition, the Civil Service Bureau and the Independent Commission Against Corruption have introduced a joint ethical leadership program that is intended to instill a culture of probity in the civil service (Hong Kong Government 2010, p. 26). The impact of these efforts is reflected in the governance score obtained by Hong Kong on the World Governance Index. In Table 5.2, the random years of 1996, 2003, 2010 and 2012 are selected to present the trajectory of improvement over the years.

**Table 5.2** Governance in Hong Kong, 1996, 2003, 2010, 2012. (Source: Kaufmann et al. 2012)

Governance indicator	Year	Percentile rank (0–100)	Governance score (–2.5 to +2.5)
Voice and accountability	1996	60.10	+0.27
	2003	57.21	+0.31
	2010	63.03	+0.58
	2012	66.82	+0.62
Political stability/absence of violence	1996	59.62	+0.43
	2003	78.37	+0.87
	2010	78.77	+0.91
	2012	79.62	+0.98
Government effectiveness	1996	86.83	+1.27
	2003	91.71	+1.65
	2010	93.78	+1.74
	2012	97.13	+1.82
Regulatory quality	1996	98.53	+1.87
	2003	100.00	+1.90
	2010	100.00	+1.89
	2012	99.52	+1.94
Rule of law	1996	68.42	+0.83
	2003	91.87	+1.50
	2010	91.00	+1.56
	2012	90.52	1.56
Control of corruption	1996	90.73	+1.50
	2003	93.17	+1.91
	2010	94.76	+1.94
	2012	93.30	+1.71

A comparative overview of the World Governance Index before and after the integration with China indicates that Hong Kong ranks quite high in some areas—government effectiveness, regulatory quality, rule of law, and control of corruption—even higher than 90%. Its overall governance score is well over +1.50. Progress has been slow in the areas of voice and accountability (66.82 percentile and +0.62) and political stability (79.62 percentile and +0.98), but there has been considerable improvement since the 1996 scores of +0.27 and +0.43 respectively. The World Governance Index allocates governance scores on a scale of +2.5 to –2.5, and information found in it also allows a comparison of Hong Kong with two of the countries that are considered to be the forerunners in the state of governance—the United Kingdom and the United States of America.

Table 5.3 reveals that Hong Kong scores higher than both the UK and USA on four out of six indicators. They include political stability and absence of violence (+0.98), government effectiveness (+1.82), regulatory quality (+1.94), and control

**Table 5.3** A comparison of governance scores, 2012: Hong Kong, UK and USA. (Source: Kaufmann et al. 2012)

Governance indicator	Governance score (+2.50 to -2.50)		
	Hong Kong	UK	USA
Voice and accountability	+0.62	+1.32	+1.12
Political stability/absence of violence	+0.98	+0.41	+0.63
Government effectiveness	+1.82	+1.53	+1.51
Regulatory quality	+1.94	+1.64	+1.29
Rule of law	+1.56	+1.69	+1.60
Control of corruption	+1.71	+1.64	+1.38

of corruption (+1.71). Hong Kong's score of Hong Kong on rule of law (+1.56) is close to that of the United States (+1.60). It is obvious Hong Kong has lagged behind in the area of voice and accountability, and this single indicator affects the overall standing of the territory in the rankings. Nevertheless, it must be recognized that Hong Kong, through public management schemes, has achieved most of the objectives that other countries aspire to achieve through governance mechanisms.

Hong Kong has retained much of the colonial tradition of centralization, but has extended the scope for consultation and participation. Efforts to democratize this special administrative region have been limited, and various factors affect its political development. Many developing countries are unsuccessful in achieving results similar to those in Hong Kong because political considerations overshadow the actual problems, and reforms are made with electoral and regime benefits in mind. This leads us to the conclusion that non-political efforts at creating conditions for good governance have better prospects of success. Needless to say, the context plays a critical role in such efforts and deserves to be considered with care.

## Public Management as a Building Block of Governance

Good governance is definitely facilitated by social and economic policies that are framed by political institutions and implemented with competence and integrity by responsive and transparent state agencies (Zafarullah and Huque 2006, p. 25). In developing countries, however, there are good reasons for adopting a selective approach to attaining good governance. The stability and maturity of political systems are critical for establishing mechanisms for participation, accountability, and transparency, but these are things developing countries are generally unable to ensure. This could be due to the state's intransigent and undemocratic nature, or its failure to democratize. Therefore, it might be more realistic to work toward good governance with specific indicators in sight. Some developing countries have fared well in several of the six indicators used to construct the World Governance Index for 2012, but they have remained unsuccessful in achieving high scores in the category of 'voice and accountability'.

**Table 5.4** Poor scores in voice and accountability indicator, 2012. (Source: Kaufmann et al. 2012)

Country	Percentile rank (0–100)	Governance score (–2.5 to +2.5)
Brunei Darussalam	33.18	–0.49
Qatar	26.07	–0.79
Singapore	54.03	+0.08
United Arab Emirates	18.96	–1.00

Table 5.4 shows that Brunei Darussalam, Qatar, Singapore, and United Arab Emirates, with governance scores of  $-0.49$ ,  $-0.79$ ,  $+0.08$ , and  $-1.00$  respectively, fared poorly in the World Governance index of 2012. Nevertheless, they obtained higher scores in other categories such as government effectiveness, regulatory arrangements, control of corruption, and rule of law. For example, Brunei Darussalam attained a score of  $+1.16$  for regulatory quality, Qatar did even better on rule of law ( $+1.19$ ), and United Arab Emirates, for the same indicator, was not far behind ( $+1.18$ ). Singapore scored high in government effectiveness ( $+2.15$ ), regulatory quality ( $+1.96$ ), rule of law ( $+1.77$ ), and control of corruption ( $+2.15$ ) (Kaufmann et al. 2012).

Singapore scored poorly in the World Governance Index in terms of voice and accountability, but managed to focus on “meritocracy, solid institutional frameworks, the rule of law, proper control structures, checks and balances and accountability in the public administrative system” (Sarker 2006, p. 190). It also did extremely well in most of the other indicators of governance. In Botswana, public sector management pays “attention to detail, discipline and dedication by the civil service”, and is considered one of the successful states in Africa (Raphaeli et al. 1984). Carroll and Joypaul (1993, p. 434) attribute the success of Mauritius to the avoidance of “political appointments or partisan political interventions at the top levels of the bureaucracy”. Goldsmith (1999) notes that both Botswana and Mauritius were able to protect the public service from “penetration” by party politics that could lead to politicization at all levels of the organizational hierarchy. Costa Rica has fared well in the World Governance Index in the area of rule of law and the institutionalization of mechanisms that minimize the impact of political intervention (Lehoucq 2005).

As stated earlier, governance is rooted in theories of democracy, while public management draws inspiration from market economics. Peters and Pierre (1998, p. 232) distinguish between governance as political in nature, and public management as related to organizational theory, adding that the former is concerned with processes while the latter concentrates on outcomes. Ideally, then, governance would require a merger of political and organizational theories, but their divergent foci could lead to additional problems. One element that brings governance and public management closer together is the blurring of boundaries between and within the public and private sectors. Several studies take issue with governance’s focus on mechanisms that are not necessarily guided by the authority and sanctions of government (see Bekke et al. 1995). Based on a review of earlier studies, Stoker (2011, p. 29) concludes that “Intellectually, local governance is an appealing idea but as a base for defining and promoting the role of elected local government it is

unsustainable". The same view may be true for most developing countries at both local and national levels.

It might be useful to consider the ultimate objectives of governance and public management that are not much different from one another. Peters and Pierre (1998, p. 232) observe that "Governance is about maintaining public-sector resources under some degree of political control and developing strategies to sustain government's capacity to act". Public management tools stand in contrast to this to some extent; they replace highly centralized, hierarchical structures with decentralized management environments where decisions on resource allocation and service delivery are made closer to the point of delivery. This harmonizes with the objectives stated in documents on public management programs in many developing countries. The case of Hong Kong is evidence that public management has the potential to make a substantial contribution to the creation of conditions that may be viewed as the outcome of "good governance".

Governance is a political process that requires effective political institutions and actors whose behavior coincides with and emphasizes democratic values. For various reasons, many developing countries struggle to establish open and legitimate governing structures that can function for extended periods of time. The comparison between Hong Kong, the UK, and USA reveals that this special administrative region of China has been able to achieve higher scores in some areas of governance. It therefore seems reasonable to argue that governments in developing countries could focus attention on the specific needs of their countries when designing public management programs. The intensity of problems may vary across countries. For example, there may be insufficient resources, poor leadership, inefficiency, corruption, and other inadequacies. The impact of many of these inadequacies can be minimized by ensuring good governmental performance and efficient and equitable treatment of citizens through administrative organizations. The legitimacy earned through good performance enhances the public's perception of the government and the state, and this is not much different from the ideal of governance. Hong Kong accorded priority to the need for strengthening the economy and meeting the social needs of citizens before initiating efforts to establish voice and accountability, probably due to the fact that these latter values are more easily attained after economic and social needs have been fulfilled.

In any country, it is crucial to strengthen the quality of public management through careful planning and effectively implementing programs that are based on the country's identified needs. Hong Kong chose to concentrate on ensuring effective performance in the production and delivery of public services. It was difficult because the past colonial experiences had created expectations and mindsets that were no longer appropriate for the twenty-first century. Since the conclusion of the agreement to return Hong Kong to China in 1982, political reforms were planned and implemented, but they did not result in substantial changes that could support comprehensive efforts to establish governance. Nevertheless, Hong Kong was able to develop a modern and effective system of administration by following reform trends introduced in other parts of the world in the 1980s and 1990s. Still, the fact that Hong Kong is unique in terms of its political status, culture, and development

must be recognized when recommending the approach for other countries in the developing world.

## Concluding Observations

Since developing countries lack the resources and capacity to establish good governance, it makes sense to search for suitable alternatives. These countries are under pressure from both their citizens and the international community to improve living conditions and demonstrate progress in a number of areas. Consequently, developing countries are left with two options. The first option is to comply with demands for establishing good governance by following the models of developed countries. These attempts, however, are unlikely to succeed, given that many governments have tried this option and failed. Andrews (2013, p. 1, 228) finds that reform goals are often not met even when countries adopt strategies at considerable expense, and he recommends instead that they address context-specific problems through stepwise processes. It is impossible for these countries to eliminate problems that have accumulated and been compounded over a long period of time. Governance requires a comprehensive approach covering multiple aspects and remains a huge challenge for developing countries.

A second option would be to design and implement public management programs to achieve the same objectives. Effective programs can lead to limited improvements in clearly defined areas and strengthen values consistent with good governance. With careful planning, these changes have the potential to contribute to citizens' empowerment and participation, public officials' accountability, and improvements in the quality of services offered to the public. These outcomes can be achieved by striking a balance between the resources and skills available, the existing administrative arrangements in a country, and standards established by the local and international community. This strategy for improvement could be more appropriate for developing countries.

Care should be exercised in using public management programs as building blocks for governance. The contexts of the countries are important, and the role of the political process in designing programs should be recognized. The successful examples presented in this chapter are from units that are smaller in size and under strict control of the regimes in power. The same results will be much more difficult to achieve in larger states with multiparty democratic systems. Thus, the implementation of governance reforms in different countries will require different sets of strategies, effective institutions, and implementation arrangements that can accommodate diverse interests and communities. The ideas presented in this chapter must therefore be considered with reference to country size, the nature of political systems, and the capacity of institutions.

The proposed strategy—of effecting improvements through public management programs as a prelude to good governance—has potential, but may be difficult to implement across societies. While some countries in the developing world appear

to have the capacity and resources to attain high scores on some of the indicators of good governance, most of them fare poorly in the rankings due to their inability to ensure voice and accountability and political stability. Some countries have performed well in the areas of rule of law, government effectiveness, regulatory quality, and corruption control, and it is reasonable to argue that these successes were achieved through programs of public management. Building upon these limited areas of success will contribute to their capacity for establishing good governance.

The key argument made in this chapter is not that the quest for governance can be replaced by introducing public management programs. The argument is rather that these programs have the potential to eliminate weaknesses and ensure conditions that contribute to the establishment of values that make governance popular. Instead of attempting comprehensive improvements across a range of areas—a project with little prospect of success—an alternative could be to strengthen public management programs. This approach is more realistic and would be more likely to ensure progress or attainability in specific areas. Developing countries could benefit more if they first addressed internal needs by constructing their agenda for improvements in public management, rather than succumbing to external pressures by aiming for the ambitious ideal of good governance. The effective implementation of carefully-designed public management programs will help prepare the ground for undertaking comprehensive attempts to establish good governance in developing countries at a later stage.

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# Chapter 6

## Globalization, State Formation, and Reinvention in Public Governance: Exploring the Linkages and Patterns in Southeast Asia

M. Shamsul Haque

### Introduction

The current epoch of globalization represents one of the most significant historical phenomena with implications for shaping the structures of economic production and distribution, state formations and interstate relations, patterns of cultural norms and lifestyles, and modes of knowledge production and information exchange. Compared to the pre-colonial and colonial stages of transnational interaction and confluence (Frank 1998; United Nations 2000a, b), the contemporary phase of globalization, which is interpreted by Farazmand (2012) as the predatory globalization under predatory capitalism or hyper capitalism, is remarkable in term of its worldwide scope, multi-dimensional impacts, and unprecedented speed, intensity, and complexity (Haque 2004). Thus, globalization is widely recognized to be “the master concept of our time” (Weiss 2000, p. 1), and its consequences for economy, society, politics, culture, and ecology have been seriously studied in diverse academic disciplines like economics, geography, sociology, political science, and philosophy (Kim 2011, pp. 165–166). In comparison, however, there is a relatively inadequate discourse in the field of public administration on the implications of the crucial globalization factor for shaping public governance, especially in the major Asian regions. In this context, the article aims to examine how the recent NPM-style business-like transition in public governance in Southeast Asia has been reinforced by the globalization process as such.

In the public administration field, the current academic discourse has been dominated by the worldwide diffusion of the NPM (and post-NPM) model of governance as well as the extent of the model’s cross-national convergence and divergence (Holmes 1992; Hood 1996; Cheung 2005; Turner 2002; Tillah 2005). There are also some studies on the implications of the global spread of NPM for the profession and education in public administration in the developing world (Jreisat 2011; Kim

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2008; Hope and Chikulo 2000). Only few studies offer more comprehensive interpretations of globalization and its adverse consequences for public administration (Farazmand 1999; Jreisat 2009; Farazmand and Pinkowski 2007; United Nations 2001). For example, Farazmand (2001, 2002) has done extensive research on the major causes, actors, and consequences of globalization, especially with regard to the changing role and structure of the state and its public management. However, most studies do not use a comprehensive political-economy approach (Robinson 2001; Faeazmand 2002) to explain the linkages between globalization, state formation, and the adoption of the market-led NPM and post-NPM models. In particular, there are almost no such studies focusing specifically on Southeast Asia as a region.

To a great extent, it is this relative dearth of research on the emergence of the neoliberal<sup>1</sup> state (especially under the influence of globalization led by transnational capital), which may have expanded the futile divergence-convergence debate over NPM-type reforms in Southeast Asia and other regions, and created a speculation over whether NPM is dead and replaced with post-NPM alternatives. It is quite ironical that although public administration is an integral part of the state, and its basic character largely depends on the nature of state formations—that is, the capitalist state, welfare state, communist state, authoritarian state, developmental state, and neoliberal state—in the existing literature, there is hardly any consideration of the nature of the state in studying public administration. This represents a serious intellectual limitation in the field.

In the above context, this article examines how the forces of globalization could have led to the emergence and spread of the market-driven NPM model via the restructured neoliberal state. The central argument here is not regarding the globalization of NPM; it is rather about NPM for globalization (about how the model was adopted by the state in response to the demands or pressures of the globalization forces or actors).<sup>2</sup> More specifically, it can be argued that the process of globalization facilitates the expansion of transnational market forces by integrating national economies and ending political barriers. This requires major changes in the structure and role of the state in favour of market-led neoliberal principles and policies (Tillah 2005; Beeson 2001), and suggests the corresponding pro-market reforms in the state's public management, as prescribed by the NPM model (Weiss 2000; United Nations 2000b; Haque 2002). For exploring this framework of analysis, the article focuses on Southeast Asian countries (especially Indonesia, Malaysia, the Philippines, Singapore, and Thailand), which have been widely known for achieving

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<sup>1</sup> Neoliberalism represents a set of economic tenets—including the retreat of the state, primacy of market forces, privatization of state enterprises, competition through liberalization and deregulation, promotion of free trade, and so on—which are also reflected in the Washington consensus (Liow 2011, p. 241; Beeson 2001, p. 497).

<sup>2</sup> It should be noted here that while the prevailing causal explanations emphasize problems, such as government failure, public sector inefficiency, fiscal crisis, and external debt (Hope and Chikulo 2000) as major causes behind NPM-type reforms, these arguments are not often sustainable, because these reforms have been embraced more enthusiastically by countries without such problems (e.g., Singapore, Hong Kong, Malaysia, and South Korea) than by countries where these problems are often serious (e.g., Myanmar, North Korea, and Cambodia) (Turner 2002).

spectacular economic progress under a state-centric developmental model. These countries have recently experienced unprecedented neoliberal changes in the state formation, plus certain NPM-type reforms in public management (Coclanis and Doshi 2000).

The article begins with some clarification of the concepts and actors of globalization, then discusses how the globalization process and its major actors have transformed the nature of state formation and precipitated the emergence of a transnational neoliberal state (in terms of its internal institutions, policy priorities, and external linkages) that tends exogenously to serve the demands of transnational corporations and institutions. It explores how the market-led, business-like NPM model of public governance became a natural outgrowth and integral part of this transnational-neoliberal state. The subsequent section of the article uses this general analytical framework to examine the similar recent NPM-type reforms in governance carried out in Southeast Asia, often under the influence of major globalization actors.

## **Globalization, the State, and Public Governance: Analytical Linkages**

The concept of “globalization” is replete with multiple interpretations depending on its analytical focus (e.g., process, structure, and consequence); on its constitutive ingredients (e.g., capital, state, people, ideas, and technology); and on its major domains (e.g., economic, political, and cultural) (see Friedman 2000; Mittelman 2000; United Nations 2001). However, scholars like Guedes and Faria (2007, pp. 29–30) offer a more comprehensive view on globalization by simultaneously presenting its content, means, structures, and symbolic bases. They recognize that globalization does not imply universalism, harmony, and convergence (Guedes and Faria 2007, pp. 29–30); rather, it involves the structures of domination, dependency, and conflicts. Thus, it can be concluded that globalization is largely a process of integration:

[Globalization is] a process of integrating nations, societies, and peoples in the domains of economy, politics, culture, ideology and knowledge through the transnational networks of capital, production, exchange, technology, and information, owned and controlled unequally by dominant states, organizations, classes, and individuals (Haque 2004).

It should be emphasized that among the major dimensions of globalization (economy, politics, ideology, culture, language, knowledge, and information), economic globalization remains most central (Weiss 2000, p. 3; Tillah 2005, p. 9). This is not only due to the fact that most tangible effects of globalization are in the economic realm (e.g., international trade, foreign investment, capital flow), but also because the globalization process is largely based on market forces, led and managed by the world economic powers, and guided by capitalist ideology (United Nations 2000b, p. 2; Mitrovic 2008, p. 179).

Globalization and its consequent governance restructuring are not just neutral ideas, events, and initiatives: they involve human agents or actors with vested interests. A tentative list of such globalization actors or forces should include transnational corporations, advanced capitalist states, international agencies, regional economic and trade blocs, consultancy firms, and certain think tanks and the mass media. First, the most central actors of globalization are the transnational corporations (TNCs) which largely shape the world economy through their control over global trade, finance, investment, information, and technology (Haque 2004). The second set of globalization actors includes the governments of advanced capitalist nations, who help TNCs penetrate global markets, use international institutions in favour of TNCs, and put pressure on foreign governments to open up economies for these transnational investors (Gritsch 2005, pp. 2–9). The third set of globalization actors includes the major international agencies or supra-national organizations such as the World Trade Organization (WTO), the International Monetary Fund (IMF), the World Bank, and the International Finance Corporation (IFC), and so on (Beeson 2001). In alliance with TNCs and advanced capitalist states, these organizations often influence developing countries with heavy external debt to accept structural adjustments, adopt pro-market policies, reduce trade barriers, and expand opportunities for foreign investment (Farazmand 2001; Robinson 2001). Other actors of globalization include the regional economic and trade blocs (e.g., the Organization for Economic Co-operation and Development, the North America Free Trade Area, and the Asia-Pacific Economic Cooperation); major consulting firms (e.g., Arthur Andersen, Ernst & Young, Coopers & Lybrand, and McKinsey & Co); and large think tanks (examples are the Adam Smith Institute, the Heritage Foundation, and the American Enterprise Institute (U.S.)), which play a significant role in advising and prescribing pro-business policies and reforms (ILO 1999; Hildyard 1997; Saint-Martin 2001).

The abovementioned actors or forces of globalization often create pressure on the state to reconfigure itself (in the mode of a neoliberal state); to change its policy priorities (in favour of privatization, deregulation, and liberalization); to revamp its social programs (through de-subsidization, welfare cuts, and outsourcing); to restructure its organization and management (for instance by disaggregating itself into autonomous agencies and decentralizing its budget and finances). These causal linkages between globalization, state formation, and public governance are briefly explained below.

## **Transforming the State Formation**

While the major actors of market-driven globalization, especially transnational corporations, advanced capitalist states, and supra-national institutions, are interested in global networks and operations to gain access to cheap resources, expand markets, invest in profit-making sectors, and own valuable assets worldwide, the main barrier they face is the protectionist and interventionist state and its public sector

policies and institutions (Hildyard 1997; Robinson 2001). While the globalization actors do not want to see the end of the state, they desire the state to become neoliberal, that is, to reduce economic intervention, embrace promarket policies, expand free trade and markets for foreign goods, and facilitate foreign direct investment (Farazmand 2001; Chittoo et al. 2009). Since all these market-driven neoliberal reforms demanded by the globalization actors cannot be pursued under the existing state systems (with their embedded traditions, structures, and vested interests)—including the welfare state, developmental state, the bureaucratic state, and socialist state (Haque 1996)—it becomes imperative to reconfigure the state formation itself.

However, the emergence of such a neoliberal state began to be a reality with the changing composition of private capital in the 1970s, especially with the unprecedented expansion of the internationally-mobile transnational fraction of capital (representing transnational corporations) which, unlike the protectionist national fraction, became increasingly involved in global-scale accumulation (through liberalized and deregulated trade and investment). This type of capital rapidly penetrated major national economies worldwide (facilitated by progress in information and communication technologies), and led to the emergence of transnational capitalist elites, who exerted considerable influence on states even in the developing world (Robinson 2001; Dent 2003). These globally organized, networked, and overwhelmingly influential transnational elites began to exercise control over the state by capturing key executive positions in national politics and bureaucracy, and by infiltrating global economic powers such as the World Trade Organization, the International Monetary Fund, the World Bank, and the World Economic Forum (Robinson 2001). The agenda of these globalization actors has been to restructure any form of interventionist state and to favour market-led neoliberal policies serving the interest of transnational corporations (Robinson 2001, pp. 173–178). In this regard, while some scholars highlight that the role of nation-states has become redundant, others emphasize that the state can adjust and transform itself in response to the demands of such transnational corporate forces (Dent 2003). This newly-emerged market-driven state formation, which can be interpreted as the transnational neoliberal state (Robinson 2001), is characterized by its increasing partnership with transnational elite, its outward-oriented policies to serve transnational corporate demands, its neoliberal ideological bases (market competition, anti-welfarism, and unrestrained free trade), and its pro-market policy preferences (liberalization, privatization, deregulation) (Haque 2008; Bertucci and Jemai 2000; Robinson 2001; Kim 2008).

## **Globalization, the State, and Public Governance**

In the context of the above—that is, my review of the process and forces of globalization led by transnational capital and the consequent restructuring of the state into a transnational neoliberal state—it was only logical that public management, being an integral part of the state, had to undergo corresponding changes. Central to the

study of contemporary public management reforms should be this historical shift in the formation of the state shaped by the major actors of intensive globalization. Thus, it is pointed out that “the absence of an effective public administration can often constrain states from participating in the global economy ... The reform of public service would give states a better opportunity to globalize” (United Nations 2001, p. 33). For Tillah (2005, p. 16), NPM is “seen as the response of government (plus other sectors) to a globalizing world”. It should be noted that the political domain of the state (especially the executive branch) is being increasingly dominated by neoliberal political elites who are often affiliated with transnational capital, engaged in advocating market-led reforms, and often involved in anti-public sector campaigns and bureaucrat-bashing. But it is mainly the administrative domain managing the public sector—involved in state ownership, regulation, and control—which became the main target of drastic market-led changes preferred by the globalization actors, including transnational corporations and international agencies. Thus, the World Bank, UNDP, IMF, and bilateral aid agencies have played a dominant role in the developing world to prescribe neoliberal reform initiatives such as the structural adjustment program (Martin 1993; Polidano 2001).

In response to the demands or pressures of these globalization actors, the state has had to deregulate and liberalize (expanding mobility of capital, market exchange and foreign direct investment), to privatize and outsource (replacing state ownership by corporate ownership), to downsize (weakening bureaucracy and its regulatory power), to disaggregate and corporatize (exposing the public sector to market competition), to withdraw subsidies and introduce user fees (expanding markets and customers for private-sector goods), and to form partnerships and adopt business principles (creating business-friendly attitudes and cultures in public organizations) (see United Nations 2001, p. 34). These globalization-driven reforms actually reflect the main tenets of NPM. From numerous existing studies, it can be generalized that the NPM model includes neoliberal policies of privatization, deregulation, liberalization, and downsizing, as well as business-like organizational and managerial principles such as disaggregation and agencification, facilitating the role of management, financial and managerial autonomy, performance measures, result-based controls, efficiency and parsimony, and customer orientation (Hood 1991; United Nations 2001; Monteiro 2002; Hope and Chikulo 2000). The declaration of the death of NPM has been considered “misplaced and exaggerated”, as it is still being adopted and practiced in many developing countries (Chittoo et al. 2009).

## **Early Globalization, the State, and Governance in Southeast Asia**

There are considerable diversities amongst Southeast Asian countries with regard to their colonial backgrounds—the British in Malaysia and Singapore, the Dutch in Indonesia, the Spanish and American in the Philippines, and the French in Cambodia and Vietnam—which had considerable impact on the nature of public governance



in these countries. They also differ in terms of the patterns of their political systems, including a fragile democracy in Thailand, presidential democracy with ethnic tension in the Philippines, semi-democratization in Indonesia, a reformed communist model in Vietnam and Cambodia, and parliamentary democracy with a one-party-dominant system in Malaysia and Singapore (Coclanis and Doshi 2000; Régnier 2011). Some variations exist in the pace and level of economic progress in these countries—with the rapid take-off in industrial and economic growth in Malaysia, Singapore, and Thailand; less successful economic progress in Indonesia and the Philippines; and low-level economic status in Cambodia and Myanmar (Régnier 2011, pp. 13–14). There are great variations also with regard to demographic size and composition, status of development, and levels of income.

Despite these contextual diversities, several scholars have tried to explore some general patterns in the formation of the state and its administrative system in Southeast Asia, especially during the period since the emergence of colonial rule in the region. In the region, it is possible to discern some historical stages with certain common models of public administration—for example, the traditional-bureaucratic model (colonial period), the developmental model (postcolonial stage), and the NPM model (contemporary phase)—which emerged under specific formations of the state. However, the main focus here is on the current stage of neoliberal state formation and the corresponding NPM-type restructuring of public administration in Southeast Asia.

## Colonial Period

Although countries in pre-colonial Southeast Asia were already mutually interactive, which led to the formation and spread of Chinese, Indian, and Islamic civilizations, it was mainly the Western colonial intervention that led to their forced globalization, especially in terms of forming economic and administrative linkages with European metropolises (Loh and Ojendal 2005; Coclanis and Doshi 2000). During the colonial period, the local state structures were infiltrated and dominated largely by the colonial rulers and subordinated to states in Europe. Thus, the colonial state in Southeast Asian countries represented an indirect rule—by the British in Malaysia and Singapore, the Dutch in Indonesia, the Spanish in the Philippines, and the French in Cambodia and Vietnam—although some local native elites were co-opted in the administrative hierarchy.

At least officially, public administration under such a colonial state largely reflected the basic features of a Weberian bureaucratic model characterized by hierarchy, specialization, merit-based selection, impartiality, formal rules, and discipline, especially in Singapore and Malaysia (Monteiro 2002; UNDP 2004). This administrative model was also followed in the Philippines, despite its colonial rule being based on the American presidential system (Gonzalez and Mendoza 2002, p. 150). Although Thailand was not under colonial rule, the government adopted some principles of this bureaucratic model, especially after the enactment of the Civil Service Act of 1928 (ADB 1999, p. 18).



## Postcolonial Period

During the postcolonial period, countries in Southeast Asia adopted a nationalistic approach in pursuing socioeconomic progress, although very soon most of them (except Vietnam, Laos, and Cambodia) were drawn into the world capitalist system with their increasing “integration into competitive global markets” (Coclanis and Doshi 2000). Compared to other developing regions (for instance South Asia and Africa), some Southeast Asian countries more enthusiastically embraced foreign investments, built export processing zones, preferred export-led industrialization, and formed joint-ventures with foreign corporations (Coclanis and Doshi 2000; Loh and Ojendal 2005). According to Régnier (2011, p. 15), “South-East Asian industrial capitalism has relied primarily on Asian, European and North American investors interacting with strong developmental states and local business elites ...”. Although these economic activities would represent a considerable degree of the region’s economic globalization, they were pursued largely under the auspices of interventionist developmental states and assisted with foreign aid from international agencies (especially the World Bank) in order to carry out development plans and programs (Loh and Ojendal 2005, p. 26).

Some of the major common tenets of such a developmental state include the following: a planned and coordinated development process led by the state, a significant developmental role played by state bureaucracy with technocratic competence, administrative discretion to pursue developmental goals, competitive merit-based recruitment, and clientelist but transparent relations between the state and businesses (Beeson 2001; Régnier 2011; Doner et al. 2005). While some authors present Singapore as a developmental state and Malaysia, Indonesia, the Philippines, and Thailand as “intermediate” states (Doner et al. 2005), other scholars use a broader perspective and interpret all these cases as developmental states (Beeson 2001; Régnier 2011; Liow 2011; Milne 1992).

Under the developmental state, in general, public administration in Southeast Asia took the form of so-called development administration, which, although it maintained the legacy of the colonial-bureaucratic approach with some structural revision for greater flexibility, aimed to achieve developmental goals such as nation-building, economic progress, and people’s participation (Monteiro 2002, p. 2; UNDP 2004, p. 1). This state-centred-development administration model involved long-term development plans and economic ventures. In line with this trend towards a state-centric model of development administration, most countries in Southeast Asia pursued such a model in order to realize their long-term development goals. They invested in the public sector by creating various planning agencies and development-related institutions. This was the case in Malaysia, Indonesia, Thailand, and Singapore (Polidano 1999). In particular, after its independence 1957, Malaysia adopted considerable reforms in public administration; it pursued the state’s developmental and welfare role through its Development Administration Unit (Painter 2004). Similarly, the Thai government established the National Institute of Development Administration in order to offer development-related education in public administration (UNDP 2004). Also in the Philippines, the government established

the National Economic Development Administration to coordinate development plans and agencies.

## **Current Globalization, the State, and Governance in Southeast Asia**

The abovementioned early phases of low-intensity globalization mostly took the form of internationalization under which the inter-state relations, although they remained unequal, did not pose any serious challenge to the leading role played by the interventionist developmental states. In the case of Southeast Asia, the interventionist states steered the mobility of capital, negotiated international trade and investment, and planned national development. In comparison, the current stage of high-intensity globalization (which, as already stated, is led by transnational capital and other allied actors and enhanced by revolutionary information and communication technologies—see Coclanis and Doshi 2000) is based on a market-driven neoliberal perspective, which, as also mentioned earlier, demands the end of the state's interventionist role and its reconfiguration into a transnational neoliberal state.

## **Globalization and the Transnational-neoliberal State**

Most countries in Southeast Asia have been significantly affected by the forces of contemporary globalization; they “have emerged as an important base for offshore production by multinational corporations” (Coclanis and Doshi 2000, pp. 58–62). Some of the key indicators of economic globalization include the volume of trade and the amount of foreign direct investment. Between 1980 and 1996, the volume of trade as a percentage of the Gross Domestic Product (GDP) increased from 113 to 183% in Malaysia, from 54 to 94% in the Philippines, from 54 to 83% in Thailand, and from 48.9 to 82% in Vietnam (compared to the average increase from 21 to 30% in South Asia and from 32 to 33% in Latin America) (Coclanis and Doshi 2000, p. 57). Similarly, between 1980 and 1996, the amount of Foreign Direct Investment (FDI) received annually increased from US\$ 1.09 billion to \$ 9.96 billion in Indonesia, from \$ 2.33 billion to \$ 4.50 billion in Malaysia, from \$ 530 million to \$ 1.40 billion in the Philippines, from \$ 5.57 billion to \$ 9.44 billion in Singapore, from \$ 16 million to \$ 1.50 billion in Vietnam (compared to from \$ 464 million to \$ 3.43 billion in South Asia as a whole) (Coclanis and Doshi 2000, p. 57). Among 208 countries listed in the globalization survey, the overall rank of economic globalization is Singapore 1, Malaysia 30, Thailand 48, Vietnam 72, Indonesia 76, and the Philippines 97 (compared to Russia 98, Brazil 100, and India 129) (KOF 2013). Within each country, the index of economic globalization increased remarkably between 1980 and 2009: from 34.90 to 60.96 in Indonesia, from 28.82 to 60.78 in Cambodia, from 64.32 to 60.78 in Laos, from 64.32 to 76.38 in Malaysia, from

37.33 to 55.41 in the Philippines, from 90.83 to 97.39 in Singapore, from 34.18 to 69.55 in Thailand, and from 38.21 to 61.91 in Vietnam (KOF 2013). The above comparative figures show that in various degrees, Southeast Asian countries have been significantly globalized, and the major actors of globalization played a crucial role in this regard. As Loh and Ojendal (2005, p. 17) mentions, “the fiscal crisis and foreign debt problems in Southeast Asia in the early 1980s ... resulted in a swing in the balance of power away from the domestic states and capital to international financial institutions”. For Régnier (2011), the main agents of such globalization in the region have been global economic powers, foreign governments, transnational business networks, and certain local business circles. In particular, “the APEC and the WTO have played vital roles with regard to trade liberalization and the opening up of national economies to the global market and ... [they] constitute two very powerful forces that are responsible for globalization today” (Tillah 2005, p. 13). After the Asian financial crisis in 1997, the IMF and the World Bank played a crucial role in expanding transnational capital in Southeast Asia through more foreign direct investment, corporate mergers, and banking acquisitions (Régnier 2011, p. 16). It is observed that the World Bank, IMF, and UNDP imposed neoliberal policy reforms as the loan conditions for heavily indebted and dependent countries such as the Philippines, Indonesia, Thailand, and Vietnam (Milne 1992; Kimmet 2004; Loh and Ojendal 2005).

With regard to the changing state formation under current neoliberal globalization, although some scholars argue that the developmental state in Southeast Asia has followed the strategy of adaptation without drastically changing its nature (Dent 2003; Kim 2011), most scholars present a more realistic scenario of how some states in the region demonstrate their growing neoliberal features in terms of adopting market-driven policies and reforms, especially after the 1997 financial crisis (Loh and Ojendal 2005). In the case of Singapore, for Liow (2011:241–243), the state has undergone structural changes, moved towards a synthesis or neoliberal and developmental options, and demonstrated a transition “from a developmental state to a neoliberal regulatory one”. In Malaysia, on the other hand, the government confidently pursued neoliberal policies under the so-called New Economic Policy that often benefitted the Bumiputera businessmen and the ruling party elite (Milne 1992), and required the state administration to serve the business sector or private capital.

In Indonesia, the growing dominance of business conglomerates became further entrenched by forming alliances with state officials (both politicians and bureaucrats), and since the early 1990s, the government has begun to embrace the neoliberal reform principles (under the influence of the World Bank) that allegedly has strengthened market forces at the expense of the state’s capacity (Kimmet 2004; Milne 1992). The Philippine government, meanwhile, has taken drastic neoliberal policy options (since 1986), and sold all major government-owned and controlled corporations, oftentimes to foreign investors via local business firms (Milne 1992). In the case of Thailand, the political domain of the state increasingly has aligned itself with local and foreign businesses, and the constitutional reform in 1997, which contained a neoliberal policy position (Article 87 of the 1997 Constitution), to a great extent, has guaranteed the use of market-led economic reforms (Milne 1992; Kimmet 2004).

**Table 6.1** NPM components adopted in Southeast Asian countries. (Source: Haque 2006; Atreya and Armstrong 2002; Polidano 1999)

Privatization:	Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam
Facilitating role:	Indonesia, Malaysia, Philippines, Singapore, Thailand
Outsourcing:	Malaysia, Philippines, Singapore, Thailand
Downsizing:	Indonesia, Malaysia, Laos, Philippines, Singapore, Thailand
Agencification:	Malaysia, Singapore, Thailand
Partnership:	Indonesia, Malaysia, the Philippines, Singapore, Thailand, Vietnam
Result-based budget:	Malaysia, Singapore,
User fee:	China, Vietnam, Pakistan
Managerial autonomy:	Singapore, Malaysia, Philippine, Singapore, Thailand
Performance targets:	Singapore, Malaysia, Thailand

From the above analysis, it can be concluded that despite certain speculation over the continuity or disjuncture of developmental states in Southeast Asia, the recent market-driven changes in the state's missions, structures, and policy preferences, which have been adopted oftentimes under the influence of the leading global economic powers, demonstrate that state formation in the region has increasingly become neoliberal and transnational.

## New State Formation and NPM-Style Governance

It has been emphasized above that being an integral part of the state, the domain of public management needs to be restructured and made more market-driven and business-like (as reflected in NPM). This will bring public management in line with the changing nature of the state towards a transnational-neoliberal formation shaped by the major actors of contemporary globalization. Thus, it is not surprising that since the mid-1980s, with the changing formation of the state in Southeast Asia from developmental to neoliberal, the sphere of public sector management increasing has embraced some major ingredients of NPM, including macro-policy orientations and internal organizational-managerial changes. Table 6.1 shows the list of Southeast Asian countries that have adopted the basic NPM ingredients.

## Market-Led Policy Orientations of NPM

The actors of globalization, especially the IMF, WTO, and World Bank, have advocated policies such as privatization, downsizing, and deregulation to ensure a minimal but effective role of governments in Southeast Asia (Tillah 2005). As Loh and Ojendal (2005, p. 20) mentions, "Southeast Asia's encounter with the neoliberal global economy, beginning from the mid-1980s ... refers to the introduction of

liberalization, deregulation and privatization policies that reversed the trend in the growth of the public sector over the previous 10–15 years”. First, since the early 1980s, the privatization policy has been pursued in countries such as Indonesia, Malaysia, the Philippines, Singapore, and Thailand (Haque 2002; Milne 1992). For achieving the privatization agenda, the state created some new institutions, including the Committee on Privatization (1983) in Malaysia, the Asset Privatization Trust and the Committee on

Privatization (1986) in the Philippines, the Public Sector Divestment Committee (1987) in Singapore, and Inter-Ministerial Committee on Privatization (1986) in Thailand (Milne 1992; Loh and Ojendal 2005). A policy option also emerged in the 1980s and 1990s to streamline or downsize the public sector—including a reduction in the growth of public employment in Malaysia, 5–10% reduction in public sector employment in the Philippines, minimal or zero growth in civil service employment in Singapore, and a 10% reduction and recruitment freeze in Thailand (Haque 2007).

In Southeast Asia, since the mid-1980s, most governments have pursued market deregulation and trade liberalization, which “further facilitated the influx not only of FDIs, but of portfolio investment as well, especially following the liberalization of the financial sector” (Loh and Ojendal 2005, p. 30). These countries also liberalized the finance sector, reduced trade barriers, and allowed more foreign investment and foreign ownership (Montes 1997). The scope of such neoliberal policy options expanded further after the Asian financial crisis, leading to greater integration of these countries into the global capitalist market system (Régnier 2011; Wong 2004).

## **Organizational-Managerial Reforms Under NPM**

In line with the adoption of increasing market-friendliness in policy options, the internal organization and management of the public sector were redesigned to change the sector’s role from being a leading actor in national economic management to a more facilitating task of assisting the business sector. This development also represents the abovementioned transition in the state itself, from its developmental to neoliberal character. The public sector as a facilitator or enabler has become a common ethos in the public management profession in the Philippines, Malaysia, Singapore, and Thailand (Haque 2007).

These four Southeast Asian countries have also restructured various state ministries, departments, and agencies into autonomous entities—all in order to manage them like business companies, to assess their performance on market-oriented standards, and to allow them greater operational autonomy in financial and human resource management (United Nations 2000a). This initiative is conducive to create a more business-friendly atmosphere, attitude, and treatment within public management, and it can be observed across the region, but especially in Singapore, Malaysia, and Thailand. In addition, Southeast Asian countries have adopted the

so-called result-based budget; it puts greater emphasis on the outputs rather than inputs of public agencies (another crucial ingredient of NPM). In Malaysia, this type of budget is known as the modified budgeting system based on the principle of decentralization, and in Singapore it is known as a result-based budget, inasmuch as it puts emphasis on final results rather than the input factors (Cheung 2005; Turner 2002). These measures certainly put public management on par with the principles and styles of business sector management.

However, the extent and scope of adopting the abovementioned NPM-led state policies and internal organization-management in governance vary among South-east Asian countries. As demonstrated in Table 6.2, some authors (Turner 2002; Haque 2007; Cheung 2005) have already explored these intra-regional variations and categorized these countries as the enthusiastic reformers, cautious reformers, and unfamiliar reformers. Table 6.2 also presents the globalization indices of South-east Asian countries covered under each of these three categories. It is obvious from Table 6.2 that countries with the highest degrees of globalization in Southeast Asia (Singapore and Malaysia) have been most enthusiastic for high-intensity NPM-type reforms in both macro-state policies and internal organization-management. The countries with moderate degrees of globalization in the region (Indonesia, the Philippines, and Thailand) have been cautious to introduce moderate NPM-style reforms, especially in macro-state policies. Finally, Southeast Asia's communist countries, which show much lower degrees of globalization (Cambodia, Laos, and Vietnam), are relatively inexperienced or unfamiliar with the NPM model, and they have embraced market-led state policies without much change in organization-management. Thus, Table 6.2 shows two parallel trends—first, the degree of globalization of each Southeast Asian country, and second, the extent of its NPM-type reforms in governance.

**Table 6.2** Degree of NPM-type reforms and extent of globalization in Southeast Asia. (Source: Turner 2002; Bertucci and Jemai 2000; Haque 2007; Cheung 2005; KOF 2013)

Adoption and degree of NPM-type reforms	Countries in Southeast Asia	Overall globalization index			Remark
		1990	2000	2010	
Enthusiastic (High-intensity)	Singapore	81.31	85.28	88.89	Reforms in both macro-state policies and internal organization-management
	Malaysia	59.10	73.59	78.23	
Cautious (Medium-intensity)	Philippines	40.99	55.51	56.12	Reforms more in macro-state policies, and less in internal organization-management
	Thailand	38.21	58.04	64.15	
Unfamiliar (Low-intensity)	Indonesia	35.27	53.07	55.20	Reforms mostly in macro-state policies, but minimal in organization-management
	Vietnam	29.25	38.13	46.38	
	Cambodia	26.20	39.03	47.68	
	Laos	16.7	22.02	26.52	

## Further Analysis and Conclusion

It has been explained above that the dominant actors involved in market-driven globalization have played a central role in Southeast Asia in restructuring the state formation towards a transnational neoliberal state, and thus, to the logical transition of the state's public policy and management towards the so-called NPM. Similar patterns of compatibility between the extent of globalization and the degree of neoliberal NPM-type reforms can be found among countries in other developing regions. In the case of Africa, for instance, the major NPM-led reformers are also the most globalized nations in the region. This includes Ghana with the globalization index of 54.55, Zambia 55.62, Nigeria 61.2, and South Africa 64.39 (KOF 2013). Similarly, in Latin America, the countries with a greater extent of NPM-oriented reforms are the most globalized in the region, including Argentina with the index of 58.3, Mexico 59.25, Brazil 59.21, and Chile 72.91 (KOF 2013; Oszlak 1997). From a cross-regional perspective, it can be observed that Southeast Asian cases like Malaysia and Singapore, with a high globalization index (78.23 and 88.89 respectively), have adopted more comprehensive NPM-style reforms than have South Asian cases like India, Bangladesh, and Sri Lanka (these countries are ranked much lower in the globalization index, at 51.57, 40.65, and 49.85 respectively) (KOF 2013; Samaratunge et al. 2008).

However, beyond the exogenous forces of globalization, it is crucial to consider diverse internal factors or forces that also affect the extent of neoliberal state restructuring and NPM-oriented reforms in the developing regions, especially in Southeast Asia. For instance, Vietnam is still under communist rule despite its drastic move towards a market-led economy, Myanmar is under military rule, Thailand's fragile democracy suffers from the legacy of bureaucratic polity and instability, Singapore and Malaysia are more politically stable and have electoral democracy and one-party-dominant systems. These prevalent internal factors have implications for the cross-national divergence in the nature of state formation, the mode of public governance, and the extent of globalization itself in Southeast Asia.

As there are numerous studies on such divergence-convergence debates (Cheung 2005; Turner 2002), the main focus here has been on the common trends or directions (irrespective of cross-national variations) of the state's structural transformation, and the consequent reform in the state's public management. These trends and their consequences have been viewed from the context of predatory neoliberal globalization (Farazmand 2012), which is led by transnational corporations and their allied actors. More importantly—and in contrast to the existing views on the causes of the emergence of NPM, which largely provide managerial explanations without much attention paid to the changing nature of the state shaped by the anti-state globalization process—this article is an attempt to provide an alternative interpretation and outline of the nexus of relations between globalization, state formation, and public governance. While I have attempted to use this analytical frame in the context of Southeast Asia, it can be further developed and applied to other national and regional contexts in future research.



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# Chapter 7

## The Relevance of the Concept of Good Governance: Revisiting Goals, Agendas and Strategies

Akbar Ali Khan

### Introduction

The concept of *governance* acquired new connotations and urgency in the 1970s, as a corollary to paradigm shifts in public administration literature. During that decade, the traditional paradigm of command-based hierarchical administration was replaced by the idea of governance by a network of partners from both inside and outside government (Goldsmith and Eggers 2004). Here the term *network* refers to cooperation between independent actors involved in the delivery of services. It conceives of results as being achieved through using market instruments like brokerage and negotiation rather than control and subordination. This new trend resulted in what Osborn and Gaebler (1992) have described as *third party government*, where the private sector and civil society became partners as well as competitors of a government. This process is known as the *hollowing of the state*. In this context, governance becomes a label encapsulating “the changing form and the role of the state in advanced industrial countries” (Bevir et al. 2003).

Parallel to the crystallization of the theory of governance in the last three decades, a normative theory of *good governance* was propounded by the World Bank. The concept of good governance was floated as a new paradigm to justify the bank’s failure to revive flagging African economies despite the infusion of massive foreign assistance under its aegis. In its 1989 report entitled “From Crisis to Sustainable Growth—sub-Saharan Africa: A Long-term Perspective Study”, the World Bank argued that economic development could not be generated and sustained in Africa owing to deficits in good governance. The intellectual stimulus for this line of thought came from Neo-institutional economics propounded by the likes of Douglass C. North, James M. Buchanan, Ronald Coase and Oliver E. Williamson. The concept of good governance was embraced by all donor agencies. It has been en-

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shrined in a number of international agreements and declarations, so much so that it is now the reigning orthodoxy of donor-driven development discourse.

The World Bank has codified six indicators of good governance: *voice and accountability*; *political stability and absence of violence*; *government effectiveness*; *regulatory quality*; *rule of law* and *control of corruption*.

These indicators are measured using a statistical tool known as the unobserved components model. The indicators are measured on a scale of  $-2.5$  to  $+2.5$  with mean zero. Data for measuring indicators of governance are collected from commercial business information providers, surveys (such as TIB survey in 2005), NGOs (who rank the performance of countries) and public-sector data providers (such as MFIs) (Kaufmann et al. 2010). Since 1996, the World Bank has published estimates of the six indicators for all its member countries. Using these estimates as data, it is possible to analyze governance trends in a particular country during the last 16 years. Furthermore, the governance performance of a country can easily be compared with that of other countries.

Against the backdrop of debates on the relevance of good governance, this chapter examines the goals, agendas and implementation strategies of governance. The introductory section traces the evolution of the concept of good governance. According to proponents of good governance, the most important goal of governance is to stimulate economic development. The second section therefore examines the evidence of there being a relationship between good governance and economic growth. In this connection, special emphasis is on the experience of China, India and Bangladesh. Section three analyzes agendas and strategies for good governance. The final section summarizes the main findings and recommendations of this study.

## **The Relationship Between Governance and Economic Growth: A Survey**

Governance is both an end and a means, but for the World Bank, it is largely conceived as a means for economic growth rather than an end. Until recently, most issues of governance were outside the World Bank's purview. It justifies its current involvement in governance based on the assumption that good governance is an essential precondition for economic growth. A strong positive relation between economic growth and governance is not a mere academic issue for the World Bank; it is the only justification for the bank's current involvement in the area of governance. There is thus no reason to be surprised that the bank's publications emphasize the nexus between economic growth and governance. According to the World Bank, good governance produces a "development dividend" (Kauffman 2005; Kauffman et al. 2000).

Critics of the World Bank's approach to governance argue that economic growth and governance continuously interact with each other. While better governance may contribute to a dividend in development (not just in terms of economic growth,

but also as regards infrastructure, administrative capacity, education, and so forth), such development may also be spurred along by institutional changes, and this also yields dividends for governance. From a historical point of view, Chang (2002) claims that in newly industrialized countries, economic growth has blossomed despite bad governance, and improvements in governance have been stimulated by higher levels of per capita income. In the same book he suggests that the bad policies that most developed countries used so effectively when they themselves were developing should be available to the currently-developing countries. Similarly, Sachs et al. (2004) maintain that governance in Africa is poor because Africans themselves are poor. Sachs and his associates show that governance quality does not explain differences in initial incomes or differences in economic growth within Africa in any significant manner.

A detailed statistical analysis of the relationship between economic growth and the rule-of-law indicator of governance was carried out by the World Bank for the year 2000–2001 and published by Kaufmann and Kraay (2002). They came up with two main findings: First, they report that per capita income and governance (as measured using the rule-of-law indicator) are strongly correlated across countries. They find that a one-standard deviation improvement in the governance measurement ultimately results in an almost four-fold increase in per capita income.

Secondly, while they find a strong positive causal effect running from better governance to higher per capita income, they also report a weak and negative causal effect running in the opposite direction, from per capita income to governance. The implication of this finding, the authors argue, is that economic growth does not automatically contribute to improved governance. A better market will not automatically result in better governance; it is up to the state itself to instigate such improvement. Through analyzing data on Latin American and Caribbean countries, they suggest that the benefits of economic growth are usurped by the elite who “capture the state” (meaning that private rather than public interests are allowed to determine the formation of laws, the running of state ministries, etc.). The implication of this finding is that that governance cannot be improved unless state capture is forestalled.

Nevertheless, the finding of Kaufmann and Kraay that suggests a positive relationship between governance and economic growth has been challenged by a number of scholars. Pritchett and Weijer (2010) argues that Kaufmann and Kraay’s estimates are biased because they ignore the “feedback effect from governance to growth” and the fact that other things that are good for economic growth are also good for governance. Another critic is Khan (2008), who has questioned the use of such statistical analysis on two grounds. First, the positive relationship between economic growth and governance is obtained in the regression by including the developed countries where good governance and higher per capita income already existed as initial conditions. Secondly, the data on governance are based on the perception of experts who exaggerate the governance performance of countries that show good economic growth. Thus, data on governance indicators may be biased by what are called halo effects. Khan (2008) is of the opinion that the nexus between

per capita income and economic growth should be examined separately for advanced countries, converging developing countries (i.e., countries where the growth rate of the Gross Domestic Product (GDP) is higher than the median advanced country rate) and diverging developing countries (i.e., countries whose per capita GDP growth rate is lower than the median growth rate). He comes up with two key findings:

First, per capita income and estimates of governance indicators are higher for the advanced countries than for both converging and diverging developing countries. This supports a positive relationship between economic growth and development. Secondly, the estimates of governance indicators observed in converging and diverging developing countries are overlapping, and there is no perceptible difference in the governance of these two groups of countries. This suggests that the difference in economic growth rates between high-growth and low-growth developing countries cannot be explained by the World Bank's governance indicators. Khan (2008, 85–110) argues that the data may actually be telling us something about the importance of other dimensions of governance capabilities that would explain difference in growth performance. In his opinion, there are two types of good governance: market-enhancing governance capabilities, which make markets more efficient but which are insufficient for ensuring sustainable economic growth; and growth-enhancing governance capabilities, which address structural problems such as weak property rights, obstacles to competition and political corruption. Governance indicators of the good governance paradigm thus represent market-enhancing capabilities that may not actually be essential for economic growth at all.

Thus it is doubtful whether the World Bank's governance estimates of its member countries are even appropriate, also in view of the countries' enormous variations in size and historical development. In fact, an assessment of the governance performance of various countries can tell different stories. This is evident from analyses of the relationship between economic growth and governance in China, India and Bangladesh.

### ***Economic Growth and Governance in China***

China's economic performance during last two decades has no parallel in world history. Between 1990 and 2000, the country experienced a 10.6% growth in GDP annually; the corresponding rate during 2000–2010 was 10.8%. With population growth at less than one percent, per capita income in China is doubling in less than 10 years. According to the *World Development Report 1991*, the United Kingdom took 58 years (1780–1838) to double its per-capita GDP, the United States took 47 years (1839–1886) and Japan, starting in the 1880s, took only 37 years (World Bank 1991). At the time of the first Industrial Revolution, the UK's total population was about 10 million (Maddison 2001). In economic terms, this means there was a doubling of per capita income for 10 million people in 58 years. China today, by contrast, is experiencing a doubling of per capita income for its more than 1.3 bil-

**Table 7.1** Governance performance in China during 1996–2013. (Source: World Bank (<http://info.worldbank.org/governance/wgi/index.aspx#reports> accessed October 30, 2014))

Indicator of governance	Estimate in 1996	Estimate in 2013	Change of values	Improvement (+)/ Deterioration (-)
Voice and accountability	-1.29	-1.58	-0.29	(-)
Political stability and absence of violence	-0.17	-0.55	-0.38	(-)
Government effectiveness	-0.25	-0.03	0.22	(+)
Regulatory quality	-0.14	-0.31	-0.17	(-)
Rule of law	-0.43	-0.46	-0.03	(-)
Control of corruption	-0.25	-0.35	-0.10	(-)

Governance score range from -2.5 to 2.5

lion inhabitants in less than 10 years. *If* governance is an essential precondition of economic growth, *then* China's governance performance should be above average by world standards, and its governance indicators should be registering improvement during the last two decades. Neither of these propositions is supported by World Bank data.

Table 7.1 presents negative estimates on all six governance indicator for China in 1996. This suggests that according to the World Bank's assessment, governance in China in 1996 was below the world average. In 2006, six out of six governance indicators in China were negative. In 2013, except Government Effectiveness, other governance indicators continued to be negative. Broadly speaking, China's governance continues to be unsatisfactory compared to the world average. Furthermore, the reading of the World Bank data on governance in China suggests that deterioration in most indicators has had no impact on China's economic growth. Only one indicator -government effectiveness—was positively associated with growth.

### ***Economic Growth and Governance in India***

Freeing itself from the spell of what was once described by an Indian economist as a 'Hindu growth rate' (suggesting complacency and fatalism), India's annual GDP accelerated from 5.9% during 1980–2000 to 7.9% during 2000–2009. But the acceleration in India's economic growth in the last decade was not a dividend from improved governance. In fact, indicators for 1996–2013 show declines in all the governance indicators except 'voice and accountability' indicator (see Table 7.2). Nevertheless, the experience of India is similar to that of China. The country's performance edged upwards only in government effectiveness. But despite improvement, the estimate for this indicator was still negative. This implies that it is below the international standard. The estimate for governance effectiveness in India in 2013 (-0.19) was even lower than that of China (0.03).



**Table 7.2** Governance performance in India during 1996–2013. (Source: World Bank (<http://info.worldbank.org/governance/wgi/index.aspx#reports> accessed October 30, 2014))

Indicator of governance	Estimate in 1996	Estimate in 2013	Change of values	Improvement (+)/ Deterioration (-)
Voice and accountability	0.40	0.41	0.01	(+)
Political stability and absence of violence	-0.91	-1.19	-0.28	(-)
Government effectiveness	-0.08	-0.19	-0.11	(-)
Regulatory quality	-0.44	-0.47	-0.03	(-)
Rule of law	0.26	-0.10	-0.36	(-)
Control of corruption	-0.40	-0.56	-0.16	(-)

Governance score range from -2.5 to 2.5

### *Governance and Development in Bangladesh*

Bangladesh's strong growth and macro-economic performance contrast sharply with its relatively poor performance in governance. The World Bank's 2007 report on the country describes this shockingly anomalous relationship as "the Bangladeshi conundrum". The puzzle has deepened in recent years. Table 7.3 shows trends of governance indicators for 1996–2010.

All the 2013 governance-indicator estimates for Bangladesh were negative and suggest that governance in Bangladesh was far below the world average. Five indicators are ranked in the lowest 25% and one in the bottom 34%. Furthermore, four indicators of governance declined between 1996 and 2013, and there was slight improvement in only two indicators, viz. regulatory quality and rule of law. The estimates which suggest improvement are still negative and below the world median. But despite the enormous deficit in governance, Bangladesh's economy has surged ahead in the last two decades. During 1976–1989, the per capita GDP grew annually at the rate of 1.2% on average. It accelerated to 3.3% during 1990–2005

**Table 7.3** Governance performance in Bangladesh during 1996–2013. (Source: World Bank (<http://info.worldbank.org/governance/wgi/index.aspx#reports> accessed October 30, 2014))

Indicator of governance	Estimate in 1996	Estimate in 2013	Change of values	Improvement (+)/ Deterioration (-)
Voice and accountability	-0.12	-0.42	-0.30	(-)
Political stability and absence of violence	-0.61	-1.61	-1.0	(-)
Government effectiveness	-0.73	-0.82	-0.09	(-)
Regulatory quality	-1.06	-0.93	0.13	(+)
Rule of law	-0.96	-0.83	0.13	(+)
Control of corruption	-0.73	-0.89	-0.16	(-)

Governance score range from -2.5 to 2.5



and exceeded 5.5% during 2009–2013. This was accompanied by a reduction in the poverty rate, from 70% in 1970s to less than 30% today. Yet it is obvious that while the nation's economy is moving in one direction, its governance is moving in the opposite direction.

There is, however, no unanimity amongst scholars on how to explain Bangladesh's ability to achieve so much economic development despite its increasing deficit in governance. Four hypotheses have been suggested as ways of explaining the inverse relationship between economic growth and governance in Bangladesh.

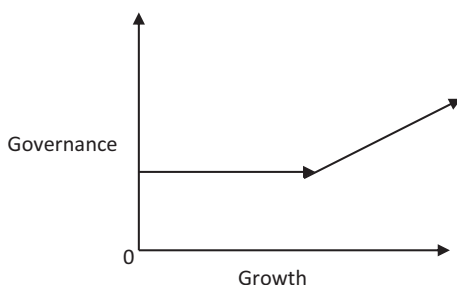
First, some scholars believe that economic growth in Bangladesh in recent decades is an aberration and likely to be reversed soon. As Fernandez and Kraay (2007, p. 103) observe, "... Bangladesh's current relatively high-income levels given its weak institutional capacity are not likely to be sustainable". However, this hypothesis turned out to be a false alarm. The prediction about the unsustainability of growth in Bangladesh was made in 2006. Since then, there has been no sign of decelerating growth. Furthermore, Bangladesh did not experience any sudden spurt in economic growth. It has been continuous despite the slide in governance and numerous devastating natural calamities during the last four decades.

Secondly, Devarajan (2008) attributes Bangladesh's good economic growth amidst pervasive bad governance to the creative role of NGOs and civil societies. The NGOs unleashed the potentialities of the poor by providing easy access to collateral-free loans on a very large scale, as well as providing marketing and training facilities for income-generating activities. The NGOs' primary focus, however, has not been on economic growth but on alleviating poverty. Economic activities instigated by NGOs and the private sector would have been thwarted had they not coincided with improvements in state-provided infrastructure such as rural roads, electricity and primary education. Thus NGO activities constitute one of the factors underlying economic growth and are not its sole determinant.

A third hypothesis can be found in the World Bank's report from 2007: here it says Bangladesh's remarkable achievement in the economic sphere was triggered by a few key governance reforms. This report identifies five areas where Bangladesh unquestionably demonstrated the capacity for good governance: the state created space for the emergence of a domestic private sector; successive governments encouraged the migration of Bangladeshi workers; the state recognized the limitations of its services delivery and created space for NGOs, also forging partnerships with them for providing public services; public expenditure has been relatively pro-poor compared to similar low-income countries; and the state improved its capacity for managing natural disasters. This five-part explanation is plausible. It is, however, inconsistent with the World Bank's process-based and holistic good-governance indicators.

The fourth hypothesis postulates a kinked relationship between economic growth and governance over time (Dixit 2004). This suggests that bad governance is not a constraint on low levels of economic growth. It may be possible to achieve low-level growth despite pervasive governance failures. If this is the case, there may not be any discernible relationship between economic growth and governance. According to this hypothesis, as per capita income exceeds a threshold level, economic

**Fig. 7.1** Kinked relationship between growth and governance



growth becomes increasingly contingent on governance, and a positive relationship between growth and governance emerges. This kinked relationship between growth and governance is shown in Fig. 7.1.

The fourth hypothesis rejects the importance of governance at a low level of economic development but acknowledges its importance at higher levels. The policy prescription of this model is that although no immediate benefit could be derived from governance reforms when a country is experiencing low-level development, such reforms should still be undertaken because good governance will be necessary for sustaining growth at mid-level. Good governance at that stage may not be possible unless the implementation of improved governance starts early. In support of this hypothesis, one can note that none of the major countries that experienced significant economic growth in recent years succeeded in upgrading their performance in most of the good governance indicators.

## Agendas, Strategies and Pitfalls of Good Governance

The World Bank's agendas for good governance are narrow in the sense that they focus primarily on market-enhancing reforms. Most of the data, which are collected from sources used by multinational companies, are based on perceptions of the executives of those companies and their collaborators, not on the perceptions of the wider populace.

Yet the agendas for good governance are also very ambitious, not least because it is extremely difficult to prevent negative values for all six governance indicators simultaneously. In fact, as Grindle (2004) argues, the good governance agendas are overwhelming, thus suggesting that developing countries need to settle for *good enough governance* rather than good governance. Good enough governance refers to "minimal conditions of governance necessary to allow political and economic development to occur" (Grindle 2007, p. 554). The idea is that it is neither necessary nor feasible to address all governance deficits simultaneously. While the criticism of good governance's over-ambitious goals is valid, the most glaring limitation of the good-enough-governance approach is its inability to spell out precisely what needs to be done. And Grindle (2007, p. 572) concedes: "there are no magic bullets,

no easy answers and no obvious shortcuts towards conditions of governance that can result in faster and more effective development and poverty reduction”.

A major weakness of both approaches—good governance and good enough governance—is that they regard governance as an instrument for political and economic development and ignore the fact that governance is primarily an end and not merely a means. There are two major policy implications of viewing governance as both a means and an end. First, governance and growth may not always be complementary. As Rodrik (2008) rightly argues, there are often trade-offs between governance as a means and governance as an end. Governance should be improved because it is a basic human right and its justification does not rest on its complementarities with economic growth. Secondly, by linking economic growth and governance, too much expectation is raised about the outcome of governance reforms. For example, the World Bank publishes annual estimates of governance indicators on the assumption that the governance of a country may change in a measurable manner within a year. Under such circumstances, the failure to provide quick fixes for economic growth may discredit initiatives for reforms.

From the implementation point of view, governance reforms fall into two categories: short term and long term. Short term reforms are mostly instruments for economic development, for instance trade liberalization and privatization. They are meant to dissolve what Rodrik (2008) describes as “binding constraints” to growth. Long term governance reforms are intended to improve the system of government, protect human rights, property rights, rule of law, and so forth. A country with large governance deficits must undertake both short-term and long-term governance reforms. Yet the preoccupation of the donors with short term governance results in ignoring and deferring long term reforms. In this connection, two assumptions about long-term governance in South Asia may be singled out as problematic. First, the implicit assumption in governance and development literature is that the transplantation of Western institutions is the effective antidote to governance gaps. This assumption has been challenged by Pritchett and Weijer’s (2010) paradigm of *isomorphic mimicry* (described below). The weaknesses of South Asian judicial systems may be largely explained by using this paradigm. A second problematic assumption in the literature is that all governance problems may be fixed by gradual and incremental reforms. However, many institutions in South Asian countries may not respond well to incremental reforms because they suffer from the *Humpty Dumpty disorder* (Khan 2010) or have fallen into the *best practice trap*. These pitfalls will now be discussed in further detail.

**Isomorphic Mimicry** Pritchett has borrowed the concept of isomorphic mimicry from the field of evolutionary biology. It is reported by biologists that animals sometimes use deception to look more dangerous than they really are in order to enhance their chances for survival. In a similar fashion, developing states build institutions and processes that closely resemble those found in functional states. In organizational literature, isomorphic mimicry is understood as a strategy by which organizations attempt to gain legitimacy by appearing to be like legitimate organizations. There are three major aspects worth noting about this institutional malady.

First of all, it is easy to create an organization, for instance a police force, that displays the trappings of a law enforcing agency in terms of organizational charts, ranks, uniforms, buildings, weapons, and so forth, rather than as an organization entrusted with the tasks of enforcing the law. Secondly, many developing countries do not have the capacity to run many institutions effectively. Yet due to wishful thinking, they may deny the existence of their limitations and generate an exaggerated assessment of their capabilities. They consequently find themselves weighted down with administrative burdens that are simply too heavy. Thirdly, when a country is overloaded with tasks it cannot perform, when its institutions have lost integrity and capability, it may be tempted to hide behind a façade of isomorphic mimicry. Pritchett and Weijer (2010, p. 31) outlines the results:

Each failure makes success much more difficult, as it breeds distrust between internal and external actors, cynicism among citizens and a “wait and see” attitude among existing public sector agents when the next round of “solutions” are announced. Moreover, dysfunction often comes with corruption and creates powerful private interests for the continuation of the status quo.

A concrete example of isomorphic mimicry is useful for shedding more light on the problem: In the British common law system, lawyers appear in only a few important cases which are contested. In such cases, the standard of evidence is very high (no one can be reckoned as guilty unless guilt is proved beyond any reasonable doubt, and the accused is presumed innocent until proven guilty). Such a system, however, cannot work if all cases are contested. Since many colonial British judges did not know local South Asian languages, they allowed the participation of lawyers in all cases. This provided opportunities for unscrupulous lawyers and legal speculators to create a vicious cycle of corruption. Forgery and perjury in legal proceedings became the norm, and cases led to counter cases. Thus an adversarial system of common law emerged, one where lawyers steered the cases and the judges had very limited power over the lawyers. To try to solve the problem, an antithetical, inquisitorial system of civil law was introduced, one entailing that judges retained considerable power over the lawyers. This also leads to exploitation. Owing to the introduction of a lawyer-centric judicial system, the legal reforms which the British introduced in India turned out to be isomorphic mimicry; they looked like their Western counterparts, but in reality brought about a system that has exploited poor, marginal and disadvantaged groups. One could also describe South Asian police forces, which were also set up by the British, as examples of isomorphic mimicry.

The recurrence of isomorphic mimicries in developing countries raises fundamental questions about governance reform strategies. Put baldly, there are two camps with opposing views on the strategies of reforms: *shock therapists* and *instrumentalists*. The shock therapists—also called proponents of the “big bang”—(Sachs et al. 2004) claim that all necessary reforms must be carried out simultaneously. They advocate for strong concerted efforts on all fronts so that they can administer shock therapy to a collapsing economy. Their war cry is “you cannot cross a chasm in two leaps”. The instrumentalists (cf. Erbas 2002), meanwhile, maintain that shock therapy is neither desirable nor feasible and that incrementalism is the only viable option for implementing reforms.

Though theoretically these views appear to be diametrically opposite, the differences between them are actually overstated. Shock therapy cannot be carried out instantaneously, and incrementalism does not imply the indefinite postponement of reforms. Stiglitz (2002, p. 161) recounts an insightful incident:

In some cases what separated the two views was more than a difference in the perspective than reality. I was present in a seminar in Hungary when one participant said, “We must have some rapid reforms. It must be accomplished in five years”. Another said, “We should have gradual reforms. It will take us five years”. Much of the debate was about the manner of reform [rather] than the speed.

In reality, the shock therapists’ and gradualists’ prescriptions for governance reforms are strikingly similar, but they are based on two unrealistic assumptions. First, they assume that governance problems in developing countries can be solved by replicating the best practices of developed countries. The second assumption is that all organizations which have failed to perform well can be revived through gradual reforms. Both these assumptions are wrong. They lead to two types of pitfalls: the *best practice trap* and the *Humpty Dumpty disorder*.

**The Best Practice Trap** The replication of best practices is a major source of isomorphic mimicry. Developing countries transplant the best practices of developed countries in the belief that this is the best way of addressing their problems. Yet critics of the best practice model, for instance Rodrik (2008), argue that there are no universal, context-free best practices suitable for all governments to adopt. The notion of what is best varies with the context.

There are major problems with the best practice approach to governance. In some cases, best practices are imposed on developing countries by multilateral institutions such as the World Bank, the International Monetary Fund and the World Trade Organization, all of which are biased towards the best practice model. This bias renders policy makers blind to contextual realities, even to the extent where they cannot detect the hazards of attempting to transplant the practices. Best practices are not transplanted in a vacuum, and they are often nullified by other elements of governance.

**The Humpty Dumpty Disorder** Advocates of the good governance paradigm maintain that all institutions can be reformed. They do not recognize that some institutions can be as flawed as the proverbial Humpty Dumpty: he was so cracked that even with the efforts of all the king’s horses and all the king’s men, he could not be restored to his original shape. There are two sources for the Humpty Dumpty disorder: flawed design and unacceptable staffing.

Flaws in the design of an organization may arise from donors’ eagerness to impose international best practices. The flawed institutions are sustained by a penchant of policy-makers to uphold the status quo, a false sense of economy and resistance from groups with vested interests. Policy-makers should pay heed to advice from Pritchett and Weijerv (2010): “It may be more difficult to fix an organization once broken than to rebuild it.”

The most frequent cause of the Humpty Dumpty disorder is improper staffing. If the overwhelming majority of employees in an organization are corrupt, there

will be no resistance to corruption. Such problems are very often faced by police forces. Bayley (2006) has identified two strategies for reforming police staffing: first, disband the local police and quickly recruit again (The closest any country has come recently to creating a totally new police was in El Salvador); secondly, a selective purge of tainted personnel, particularly of senior officers. Selective purging entails that some old personnel are retained along with the rapid recruitment of new personnel. A variant of the selective purge strategy is to start by installing properly qualified, non-corrupt persons in key jobs, and they in turn can lead the process of change.

The experience of Bangladesh also indicates that new organizations with newly recruited staff may be much more efficient than the old organizations. For example, Grameen Bank, which paid the same compensation as the Bangladesh Krishi Bank (BKB), has performed much better than the BKB in providing rural credit. Also the Rural Electrification Board, which was formed later than the Power Development Board, has performed much better than its precursor.

The above analysis suggests that there is no unique agenda and strategy for governance reforms. The menu of reforms is very wide. However, the concept of good governance has narrowed the scope of agendas and reform strategies. This is first of all because the proponents of good governance argue that developing countries should concentrate on doable small reforms because of resource and management constraints. Secondly, because they argue that developing countries should replicate best international practices, this also has narrowed the scope. The two arguments, however, are faulty. Large governance reforms, for instance of the judiciary and police force, should not be postponed on the plea of lack of resources. These reforms are needed, and it is the moral duty of the government to provide resources for such activities. Furthermore, as has already been explained, the replication of best practices is not based on contextual realities but on wishful thinking.

Pritchett and Weijer (2010) argue that neither small nor large reforms are appropriate means for decreasing governance deficits. Their advice is to follow a “middle way”. Yet since governance deficits vary from country to country, it is inappropriate to imagine that there is only one unique middle way. The definition of the middle way would vary not only from country to country but also within the same country from time to time. The best course for governance reforms is thus to keep all governance gaps under continuous surveillance and not succumb to the temptation to overlook major gaps in the name of prioritization.

## Summary of Findings and Recommendations

The concept of good governance has marked a significant departure from the mainstream paradigm of network governance. While network governance leads to a hollowing of the state, it is still a positive concept in the sense that it describes the emerging trends as they are and does not prescribe any course of action.



The concept of good governance was developed by the World Bank as an excuse for its massive failure in Africa and as the justification for the bank's involvement in the internal affairs of the countries that receive concessional aid. The bank's avowed purpose is to stimulate economic growth, and the package of prescriptions attached to its good-governance concept is rightly described by Khan (2008) as "market enhancing". The implicit assumption behind the donor-driven concept of good governance is that it is needed in order to attract investment. From this, it follows that the governance indicators—the measurements of which are scrutinized by foreign direct investment schemes (FDI)—should form the core of good governance. In fact, the World Bank's measurements of governance indicators are primarily based on analyses which are then used to make FDI decisions. The perceptions of the wider populace in the concerned countries have no place in the measurement of governance indicators.

Despite its inherent weaknesses, the good governance concept has played a seminal role by refocusing the attention of donors, shifting it from aid and technical assistance to state-building and enhancing the effectiveness of government. The concept has also mobilized resources for improving governance. But notwithstanding the concerted efforts of donors, the deficits in governance continue to increase in much of the developing world. The concept of good governance itself has turned out to be counterproductive in a number of ways:

First, it narrows the focus and goals of governance. Governance is both a means and an end of development. By focusing on governance as a means for economic growth, the concept of good governance downplays the role of governance as an end.

Secondly, it raises false expectations. The concept of good governance is a simplistic notion of a linear positive relationship between economic growth and governance. It claims that no sustainable economic growth is possible without good governance. However, as we have seen, there are a number of counter examples (China, India and Bangladesh, which contain more than one third of the global population) where continuous growth over at least two decades has been achieved despite poor and deteriorating governance-indicator estimates. On the basis of available evidence, the critics of the good governance concept maintain that governance does not always promote economic growth, but that economic growth may stimulate governance reforms. An implicit assumption of good governance is that it attracts FDI schemes. This has also raised false expectations and proved to be a dubious proposition. FDI schemes are driven by investors who, because they follow a herd mentality, tend to concentrate investment in a few countries irrespective of their levels of good governance.

A third counterproductive aspect is that in defining good governance agendas, reformers ignore history and geography. Good governance for developing countries is narrowly construed as the replication of Western institutions. It is assumed that one size of governance fits all countries. Such an approach is therefore blind to the dangers of isomorphic mimicry in developing countries. If the history and geography of each country are taken into account, the governance agenda of each country will be unique. Such agendas must be driven by indigenous initiatives.



Finally, with the concept there comes an overemphasis on incrementalism. Most governance reforms are undertaken on the assumption that all dysfunctional institutions can be rectified over time. In reality, many institutions are beyond repair. By encouraging gradual reforms, the World Bank ignores the urgency of bypassing or replacing the institutions that suffer from the Humpty Dumpty disorder.

Having spelled out these four counterproductive aspects of the concept of good governance, it must be stressed that the limitations of the concept do not at all suggest that improvement in governance is unnecessary. Governance is the basic function of a state. Good governance is desirable in developing countries, but the countries should at the same time ask questions about whose preferences actually underlie the concept, what those preferences are, and what the premises or preconditions are for good governance. The goals of governance are wide, and they should not be restricted only to economic issues. An effective governance strategy should include the following five elements:

1. Shift from *good governance* to *governance*. This implies that the focus should not be on governance as a means but on governance as an end.
2. Do not defer difficult reforms indefinitely. Governance reforms should encompass both short term and long term reforms. While the short term reforms could address the barriers to economic growth, long term reforms should focus on pitfalls that have developed over a long period. All governance gaps should be under continuous surveillance, even if the government does not have the capacity to address them all. The difficult reforms should not be deferred indefinitely on account of prioritization.
3. Pay attention to isomorphic mimics. Existing institutions that are transplants of institutions from already-developed countries should not be taken for granted. Isomorphic mimics should be identified and reformed over time.
4. Address appropriately the Humpty Dumpty disorder. Not all organizations can be reformed gradually. Some organizations are beyond repair. They should be either bypassed or replaced by suitable new institutions.
5. Indigenize the content of reforms and ensure local ownership. Governance reforms must be owned by local stakeholders. The transplanted institutions do not last. The agenda of all governance reforms should be indigenized.

The quest for better governance is a never-ending process. The strategies of governance should therefore change in response to shifts in contextual realities. What a Sufi saint said about life is equally true about governance: “There is no destination. There is only the journey”.

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# Chapter 8

## Good Governance and Human Development in Developing Countries, with Special Reference to South Asia

Haroon Khan

### Introduction

Economic and human development is the major challenge faced by the developing countries. The UN has identified eight Millennium Development Goals for 2015: to eradicate extreme poverty and hunger; achieve universal primary education; promote gender equality and empower women; reduce child mortality; improve maternal health; combat HIV/AIDS, and other diseases; ensure environmental sustainability; and develop a global partnership for development. While the world's nations agree on the goals, there is less agreement on what specific steps are necessary, sufficient, or feasible to reach them (Murphy 2006). One way to achieve the Millennium Development goals is to implement good governance. The ultimate purpose of good governance is to improve human development, and if such governance is lacking, the goals may never be reached.

A country suffering from low human development is prone to violence, terrorism, environmental degradation, the displacement of people, and a workforce incapable of running institutions, whether public or private. According to Kim and Conceicao (2010, p. 32), "The possibility of countries entering low human development—conflict traps implies that policies that sustain human development will eventually contribute to the reduction of the risk of conflict." In this chapter, I explore the relationship between good governance and human development, and seek to shed light on the significance of improving governance in developing countries, particularly in South Asia.

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## What Is Good Governance?

Governance involves all the political, economic, social, and technological aspects of government. In the modern age, all aspects of people's lives are controlled and impacted by the government of the country in which they live. If researchers want to help improve governance, it is important for them to scrutinize all the affairs of a government. Similarly, achieving good governance requires research on the whole complex field of study, including all bureaucratic departments and public sector institutions at all levels—from those setting the rules for economic and political activities to those determining priorities and allocating resources (Grindle 2004; Sargot and Rita 2011; Tricker 2012).

There have been many attempts to define good governance and to distinguish it from bad governance. Based on the various definitions, the common characteristics of good governance are transparency, accountability, participation, decentralization, privatization, impartiality, diversity, and good performance.

To investigate the effects of good governance on human development, I draw on the Worldwide Governance Indicators (WGIs) codified by the World Bank and authored by Kaufmann et al. (2013). These indicators are comprehensive and suitable for making comparisons and generalizations. The WGI project reports aggregate individual governance indicators for 215 countries over the period 1996–2012. The six governance indicators are *Voice and accountability (VA)*, *Political stability and absence of violence (PV)*, *Government effectiveness (GE)*, *Regulatory quality (RQ)*, *Rule of law (RL)*, and *Control of corruption (CC)* (Kaufmann et al. 2013).

## Brief Descriptions of the World Governance Indicators

*Voice and accountability* concerns perceptions about the extent to which a country's citizens can participate in selecting their government. It includes perceptions on freedom of expression, freedom of association, freedom of the press, and the public's free access to mass media. *Political stability and absence of violence* is used to measure the probability of a government overthrow by violent means. *Government effectiveness*, according to Kaufmann and his colleagues, indicates "the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies." *Regularity quality* points to perceptions about the ability of a government to formulate and implement sound policies and regulations that permit and promote private sector development. *Rule of law* is an indicator of perceptions about the extent to which agents have confidence in and abide by the rules of society, particularly the quality of law enforcement, confidence in the police and the courts, as well as the likelihood of crime and violence. *Control of corruption* is measured according to perceptions of how well a government controls corruption amongst the populace, the extent to

which public power is exercised for private gain (including both petty and grand forms of corruption), as well as ‘capture’ of the state by elites and private interests.

## Evaluation of the Worldwide Governance Indicators

One major criticism launched against the WGIs is that they involve perception-based data. Such data can be subject to error because the potential bias of researchers may distort their results. The indicators also overlap in some respects and may measure one and the same phenomenon. For example, the indicator of accountability can also be grouped under the control of corruption because the accountability of personnel is essential for controlling corruption in an organization. Similarly, the indicator of voice and accountability can be replaced by voice and transparency. Also, the civil liberties mentioned by Kaufmann and his colleagues are essential for transparency. Of course, I must admit that civil liberties are necessary for ensuring accountability. But Kaufmann et al. need to clarify what sound policies are, in order to measure government effectiveness. As regards regularity quality, these authors emphasize the necessity of developing the private sector, yet from the perspective of people at the grass-roots level, the true measure of regularity quality should be whether or not the given regulations protect citizens (or consumers).

But to return to the first point of criticism, that WGI data is based on subjective observation; Rotberg and Gisselquist (2008, p. 29) allege that all the existing indices of international governance—for instance those codified by the World Bank, the UNDP, and Freedom House—are based on perceptual data, and, as intimated, may suffer from a lack of objectivity. Currently available indices of governance would therefore be inadequate in terms of their data sources, their restricted understanding of governance, and their failure to rank countries by performance. Rotberg (2014, p. 51) mentions that the “indicators are largely normative, encompassing policy preferences rather than measuring the satisfaction of citizen-request priorities. Another researcher, Rothstein (2011, p. 8), describes the indicator-based definition of governance as too broad, especially due to its normative emphasis on “sound policies”. Moreover, Rothstein and Teorell (2008, p. 3) mention that the WGIs are based on the input-side of governance, making it nearly impossible to determine the true results for governmental performance.

As a result of the complexities of using WGIs, many researchers are using the Ibrahim Index of African Governance (IIAG), which was initially designed to rank 48 African countries. As an alternative to WGIs, it has two key merits: it is meant to apply for one whole region (geographical comprehensiveness), and it broadly defines governance as *the delivery of political goods*. The IIAG evaluates governance on the basis of five categories of core political goods: *Safety and security*; *Rule of Law, Transparency and corruption*; *Participation and human rights*; *Sustainable economic opportunity*; and *Human development*.

Along with devising alternatives to the WGIs, researchers have come up with alternatives to the complex concept of good governance. Some advocate for *humane*

*governance*, which denotes good political, economic, and civic governance. Humane governance, says Thomas G. Weiss, “involves those structures and processes that support the creation of a participatory, responsive and accountable polity (that is, good political governance) embedded in a competitive, non-discriminatory, yet equitable economy (that is, good economic governance)” (Weiss 2000, p. 804).

Even if humane governance turns out to be a more workable concept than that of good governance, Arndt and Oman (2006, p. 14) point out that a “perfect governance indicator may not exist”. Nevertheless, they argue, “it is still important to have transparent indicators”. (A transparent indicator would be one that is drawn mainly from fact-based criteria, rather than being a composite of subjective perception). They continue: “The lack of a reasonably credible theory to explain causal relationships between specific governance features in a country and the process of development in that country—a theory that could provide the analytical framework within which to define reliable facts based on governance indicators—explains, in part, the widespread use of composite perception-based governance indicators” (Ibid.).

Criticism notwithstanding, one of the advantages of the WGIs is that they can be converted into numbers which can be used for comparing different countries. If one accepts, as do Arndt and Oman (2006, p. 31), that perception-based and fact-based indicators are “potentially useful *complementary* sources of information”, then it would be imprudent not to use the WGIs. Similarly, Hout (2007) asserts that the WGI-authors have contributed significantly to the governance discourse and focused researchers’ attention on empirical evidence.

As well as complementarity, there are yet other benefits. Kaufmann and his colleagues have responded to the critics by emphasizing that the WGIs are widely used by academics and policy makers:

The usefulness of the aggregate indicators in the WGI stems from the fact that (a) they provide very broad country coverage, greater than that provided by any individual data source on governance; (b) by averaging information from many different data sources they are able to conveniently summarize the wealth of existing information on governance; (c) by averaging they are also able to smooth out some of the inevitable idiosyncrasies of individual measures of governance (Kaufmann et al. 2010, p. 1).

The reason for using the WGIs for this present study is because they supply me with comprehensive, broad-based data for making cross-national comparisons. The data are easily accessible and quantifiable and allow for more rigorous statistical analysis. Moreover, the WGIs broadly cover all the important elements mentioned by different authors in their definitions of good governance.

## Human Development

The *Human Development Index* (HDI) was developed by the economist Mahbubul Haq in 1995, as a tool for measuring a country’s development and progress. Haq defined the HDI as a processual tool for measuring freedom and wellbeing. It was

launched to indicate a country's real development, as opposed to the traditional measuring instrument *Gross National Product*, which does not adequately represent a country's real progress. The first Human Development Report sponsored by the United Nations Development Program was published in 1990. The HDI has been used in the UNDP's annual reports since 1993 (Somers 2007). Thus far, however, almost no research has been done to determine the linkage between good governance and human development.

The HDI was developed based on the idea of their being three basic elements in a human being's life: health, education, and income. Health is measured according to the indicator *life expectancy at birth*. Educational attainment is measured according to the *adult literacy rate*, and the *combined gross primary, secondary and tertiary enrolment ratio*. Income is measured by the real *gross domestic product per capita*, corrected for purchasing power.

## Health Component

The first element of HDI is health, which is measured according to life expectancy. Life expectancy is conditioned by factors such as lifestyle (healthy or otherwise), nutrition, food, the quality of drinking water, maternal health, healthcare facilities, and a given government's general health policy. Other external factors that can affect life expectancy are wars and violence. Many people in the global South do not have any education about healthy lifestyles and the importance of diet and exercise. Consequently, one finds a high rate of heart disease, strokes, and diabetes amongst people who are better off economically in the global South. On the other hand, for those who live in grinding poverty, the cost of healthcare simply renders it inaccessible. The poor in the global South and in developing countries lack nutritious food and clean drinking water; many suffer from hunger. According to an MDG report (2014, p. 15), in 2012 about 99 million children under 5 years of age were underweight (relative to their age group). This represents 15% of all children in the world under five (1 out of 7). South Asia had the largest number of underweight children, and in Sub-Saharan Africa, the number of undernourished children increased between 1990 and 2012, from an estimated 27 million to 32 million (Millennium Development Goals 2014, p. 15).

## Education Component

The second HDI component is education. Access to high quality education is crucial for economic and political development. In this age of modern technology, education of course plays a big role, and a country that lacks qualitatively good and relevant education will be unable to compete in the world market. In the global South, however, the challenge is often simply to provide basic education: this is



something a large percentage of the population lacks. Education is necessary for access to relevant employment and other opportunities. It teaches people to be rational and tolerant by developing a better understanding of diverse cultures. Then again, the quality of education is dependent on more than having good teachers and high-quality content; factors such as good health, nutrition, family support, and a safe environment also make a big impact on education (UNICEF 2000). In some countries, the educational opportunities are very unequal and end up perpetuating the deeper problem of inequality.

## Income Component

A decent income is essential to human development. As Neumayer (2003) observes, when properly understood, there is no real difference between economic development and human development. Real economic development requires that people gain capabilities whereby they can fulfill their own needs. A recent UNDP report presents stark figures:

1.2 billion people live [on] \$ 1.25 or less a day. However, according to the UNDP Multi-dimensional Poverty Index, almost 1.5 billion people in 91 developing countries are living in poverty with overlapping deprivations in health, education and living standards. And although poverty is declining overall, almost 800 million people are at risk of falling back into poverty if setbacks occur. Many people face either structural or life-cycle vulnerabilities. (UNDP Report 2014, p. 19)

To estimate the relationship between good governance and human development, this study presents correlations between seven variables. Good governance is measured using World Bank data on the Worldwide Governance Indicators (WGI), and human development is measured by UNDP data using the Human Development Index (HDI). In Table 8.1, estimates of governance performance range from ap-

**Table 8.1** Linkage between WGI and HDI. (Source: Calculated by the author based on data of World Bank 2013 and UNDP 2014)

Variables	HDI	VA	PS	GE	RQ	RL	CC
HDI	1	0.365**	0.421**	0.685**	0.564**	-0.063	0.592**
VA	0.365**	1	0.662**	0.658**	0.625**	-0.042	0.688**
PS	0.421**	0.662**	1	0.634**	0.492**	0.003	0.736**
GE	0.686**	0.658**	0.634**	1	0.886**	-0.039	0.885**
RQ	0.564**	0.625**	0.492**	0.886**	1	-0.039	0.777**
RL	-0.063	-0.042	0.003	-0.039	-0.047	1	-0.025
CC	0.592**	0.688**	0.736**	0.885**	0.777**	-0.025	1

*HDI* Human Development Index, *VA* Voice and Accountability, *PS* Political Stability and Absence of Violence, *GE* Government Effectiveness, *RQ* Regularity Quality, *RL* Rule of Law, *CC* Control of Corruption

\*\* Significant at 0.01 Level

**Table 8.2** Regression analysis of HDI by WGI

Variables	Unstandardized coefficient (B)	Standardized coefficient (Beta)	Std. error	Significance
Constant	0.669		0.011	0.000
VA	-0.019	-0.119	0.015	0.200
PS	0.001	0.011	0.014	0.916
GE	0.146	0.878	0.031	0.000**
RQ	-0.20	-0.118	0.023	0.391
RL	-0.008	-0.051	0.011	0.443
CC	-0.005	-0.031	0.026	0.842

\*\* Significant at 0.01 Level

See key for Table 8.1

proximately -2.5 (weak) to 2.5 (strong governance performance). The data in the table are based on *all* the developing countries of the world.

Table 8.1 shows a strong relationship between all the indicators of good governance and the HDI, with the exception of the rule of law. It also shows that government effectiveness has the highest correlation with the HDI. This finding implies that if a country's government is effective, the country can make a significant improvement in human development. Improvement in health, education, and income is possible when a country has an effective government, and a government's effectiveness is measured according to its performance and productivity.

According to Table 8.2, the strongest variable affecting human development is once again government effectiveness. This proves, once again, that improvement in health, education, and income is highly dependent on government effectiveness, and that it is the most important element in improving human development. The important question is whether a government is instrumental or willing to improve governance based on these necessities.

## Discussion and Analysis

Using the results of correlations in Table 8.1 as the starting point for discussion, clearly, the variable of voice and accountability is crucial for improving people's capabilities and opportunities for better life expectancy, health, and level of education. As Kelley (1991) argues, human development is accomplished most fundamentally by living a long and healthy life, by being educated and having a decent standard of living. Such a life is augmented and facilitated by political freedom, guaranteed human rights, and personal self-respect. Political violence leads to mass killings and would obviously lower life expectancy. Life expectancy in conflict areas, for instance in Iraq and Syria in 2014, is shortened by mass killings. According to a recent UN Human Development Report (2014, p. 3), "about 45 million people were

forcibly displaced due to conflict or persecution by the end of 2012—the highest in 18 years—more than 15 million of them are refugees”. In a number of countries in West Africa, Central America, and the Middle East, lawlessness and armed conflicts continue to threaten human development. The recent conflicts in Iraq, Syria, and the Central African Republic expose the vulnerabilities of these countries and the threat to human development. The proliferation of illegal weapons is a potent factor in increased violence in developing countries, yet the increasing amount of such weapons is also facilitated by porous borders resulting from globalization. The weak enforcement of gun-ownership regulations further complicates the problems of violence.

When the rule of law is absent, all aspects of life can be disrupted; liberty, education, physical and mental health, the ability to earn a living, and all other important aspects, including life itself, are threatened. When the rule of law is weak, the poor cannot find a way to redress their grievances. Even rule-abiding citizens might be compelled to depend on vigilantes for justice because they realize it is futile to go to law enforcement officials or to depend on corrupt legal procedures. The lack of the rule of law perpetuates law violations and disrupts public peace and security.

Regulatory quality is essential for human happiness, affecting people’s ability to gain access to health and education and to earn a living. Nevertheless, in many poor countries, commercialization leads to health and education being largely unregulated (UNRISD 2010, p. 182). Education is the gateway to success, but if access to it is limited, people can be blocked from achieving success. Regulations in the field of education, if used properly, can therefore provide people with opportunities. For example, countries in the developed world make basic education universal (free of cost). These countries even provide opportunities for the poor to gain higher education. In the developing countries of the South, by contrast, education is neither universal nor always accessible. Privatized health and education need effective regulation (UNRISD 2010).

Setting up regulations is well and good, but making them effective is dependent on bureaucrats; these are the people responsible for administering the delivery of services such as healthcare, education, and other services which would result in a decent standard of living. If bureaucrats are ineffective, policy implementation will suffer. Most countries have departments dealing with education, health, and financing for each sector. If these departments are staffed with inefficient people, the implementation of policies will suffer, and, most of all, the poor will suffer. This sorry scenario can largely be avoided if a government’s leaders show that they truly value education, health, and welfare through staffing the bureaucracy with suitably educated actors, rather than appointing people based on their political affiliation. Furthermore, without the merit system, educated people will have no incentive to be in government service.

As well as enacting laws and hiring suitable, efficient bureaucrats, a government can set up universal social-protection policies to promote economic progress (UNRISD 2010). For example, a universal education program will provide opportunities for poor children to attend school; as they get older, they can gain employment sufficient for pulling themselves out of poverty. The challenges arising from such

policies are however substantial, given the financial liability involved. Developing countries lack a sufficient financial base, and the poor are legion. Nevertheless, the realization of publicly financed social programs in some developing countries shows that they can be affordable. “Domestic public financing instruments are best suited to minimize exclusion of certain groups from access, to promote the redistributive role of social service provision through progressive funding arrangements, and to strengthen links that promote democracy and social solidarity” (UNRISD 2010, p. 180). Providing social protection through education and healthcare will generate a synergy that goes far in resolving problems like poverty, crime, and violence, which in turn contribute to economic and political stability whilst cushioning against the inadvertent blows of rapid structural reforms (UNRISD 2010). Structural change is important to mention in this context because without it, well-designed social protection policies will have limited impact on the structural conditions that affect people’s ability to have a decent standard of living (Ibid.). For example, a universal education policy must be supported by supplemental income for poor parents, who depend on their children’s income to maintain their livelihood. But as already stated, the success of all policies is conditioned by bureaucratic effectiveness, hence the social protection policies, structural changes, and removal of vulnerabilities require an efficient bureaucracy, which is essential for effective policy implementation.

In many countries, corruption is like a disease gradually destroying all sectors of society. The main indicators of human development—health, education, and standard of living—suffer when there is a high level of corruption. In countries with high corruption, education and healthcare will be determined by bribes and other benefits received by administrators. Shah (2007, p. 27) finds that “unsound economic policies, unpredictable processes, distorted public expenditures, [and] extra payments lower investment and growth”, and concludes that corruption burdens the poor disproportionately. A high level of corruption drives the price of commodities and other necessities upwards, to the point of making life miserable for the poor and the middle class. A high level of corruption may also generate more poverty by concentrating wealth amongst the few who are beneficiaries of the prevailing situation.

## **Status of Good Governance and Human Development in South Asia**

One aim of the research undergirding this chapter has been to assess the status of South Asia’s governance and human development. In the following pages, I analyze the South Asian countries’ WGI and HDI scores. I preface this section by stating that due to the small number of countries involved, it has been impossible to run statistical analysis to demonstrate how good governance causes changes in human development. Table 8.3 shows the status of South Asia in terms of good governance indicators.

**Table 8.3** WGI scores for South Asian countries. (Source: World Bank data 2013)

Countries	VA	PS	GE	RQ	RL	CC
Afghanistan	-1.32	-1.32	-1.40	-1.21	-1.72	-1.41
Bangladesh	-0.42	-1.35	-0.83	-0.96	-0.91	-0.87
Bhutan	-0.32	0.81	0.48	-1.12	0.19	0.82
India	0.35	-1.25	-0.18	-0.47	-0.10	-0.57
Maldives	-0.52	-0.28	-0.16	-0.35	-0.50	-0.44
Nepal	-0.70	-1.38	-0.99	-0.81	-0.79	-0.83
Pakistan	-0.87	-2.68	-0.79	-0.73	-0.91	-1.06
Sri Lanka	-0.60	-0.71	-0.24	-0.12	-0.11	-0.24

See Table 8.1 for code key

As Table 8.3 shows, South Asian countries are doing poorly in all the indicators compiled by the World Bank. Voice and accountability are important for making politicians accountable. Effective, multi-faceted mechanisms must be devised so that government officials are constantly scrutinized for their performance and held accountable. Shah (2007) proposes that such mechanisms should include institutional restraints, political accountability, civil society participation, public sector management, and a competitive private sector; political variables would include democracy, the ability for reelection, democratic stability, a presidential/parliamentary system, and freedom of the press. Without doubt, civil society organizations can play an important role in ensuring accountability:

[Civil society organizations] can lubricate the gears of accountability by accessing, interpreting, and distributing information to multiple stakeholders in usable and accessible formats; by demanding accountability of government directly; by supporting and encouraging formal [overseers] to demand accountability (like legislatures, auditors, [the] judiciary); and by supporting and encouraging other actors to demand accountability (such as executive insiders, political parties, donors). (Zyl 2014, p. 347)

Table 8.3 shows that India has made significant progress in the area of voice and accountability. This could partly be because India has had an ongoing democratic system. The defeat of the incumbent governing party in 2014 proves the validity and reliability of the election process in the country. Pakistan scores the worst in stability and absence of violence. The continuous terrorist attacks by the Taliban and other groups reveal Pakistan's vulnerability; it has suffered several military takeovers, much political violence, and constitutional crises. The Fund for Peace (2014), in its Fragile State Index, lists Pakistan as one of the high alert countries. Regarding government effectiveness, all the South Asian countries score poorly with the exception of Bhutan. They also score poorly on regularity quality. This means, among other things, that the various governments exercise control through regulating and restricting business start-ups and private sector development. On the rule of law, only Bhutan has a positive score. The country's small population and authoritarian leadership probably are conducive in this respect. The country scoring

lowest on rule of law is Afghanistan, where American and international troops are still engaged in combatting terrorists, and where tribal and ethnic infighting prevail. Control of corruption is an impediment to all the countries of South Asia, with the exception of Bhutan. Langbein and Knack (2010) argue that the concepts of corruption and accountability are related because corruption is hidden; as a result, it leads to a lack of transparency and accountability. Corruption also indicates weak rule of law. If rule of law were strong, this would imply an open, transparent market where contracts are enforced publicly and equitably (Langbein and Knack 2010, p. 354). In many developing countries, the prevalence of *kleptocracy*—rule by thieves—nurtures new modes of corruption that of course oppose the main tenets of good governance. The issue of corruption is exceedingly broad and complex because its causes vary from country to country. To illustrate: Mazur (2009) maintains that the main contributor to the proliferation of corruption in Russia is the loss of morality. A contrasting theory, that of Olowu (1988), whose research is based on African experience, points to the structure of power—how it is constituted in ways that leave governance open to corruption. He thus emphasizes the necessity of developing institutions to control corruption. Suffice it to say, a general loss of accountability and poor rule of law would promote corruption in any society.

Table 8.4 shows the ranks and raw scores of South Asian countries based on Transparency International's Corruption Perception Index (CPI). The most corrupt country appears to be Afghanistan, followed by Bangladesh. Weak institutions and continuous violence probably are key reasons for the high level of corruption in Afghanistan, and for Bangladesh, the main culprits could be excessive politicization and lack of accountability. The country that is best at controlling corruption appears to be Bhutan; with its relatively small population, it is easier to maintain control over corruption, and with a small size of the government, the scope of corruption is also limited.

According to Table 8.5, which shows data from 2013, South Asia ranks second lowest in all the indicators of human development. The HDI score for South Asia was 0.588 compared with East Asia and the Pacific, which scored 0.703. Life Expectancy in South Asia was 67.2 years—about seven points lower than that of East

**Table 8.4** Rank and raw scores on corruption in South Asian countries. (Source: Transparency International, published in 2014 on data from 2013)

Countries	Score	Rank
Afghanistan	8	175
Bangladesh	27	136
Bhutan	63	31
India	36	94
Maldives	92	60
Nepal	31	116
Pakistan	28	127
Sri Lanka	37	91

**Table 8.5** Human development scores in South Asia compared with other regions. (Source: World Bank Data 2013)

Regions	HDI 2013	Life exp. 2013	Mean years of schooling 2013	Exp. years of school 2013	GNIPC in USD, 2013
Arab States	0.682	70.2	6.3	11.8	15,817
East Asia and Pacific	0.703	74.0	7.4	12.5	10,499
Europe and Central Asia	0.738	71.3	9.7	13.6	12,415
Latin America and Caribbean	0.740	74.9	7.9	13.7	13,767
South Asia	0.588	67.2	4.7	11.2	5,195
Sub-Saharan Africa	0.502	56.8	4.8	9.7	3,152

*GNIPC* Gross national income per capita

Asia and the Pacific, where the life expectancy was 74.0 years. South Asia's mean years of schooling were 4.7, and the expected years of schooling came to 11.2, once again ranking lower than East Asia and the Pacific, where the mean years of schooling were 12.3 and expected years of schooling were 12.5. The Gross National Income per capita in South Asia that year was US\$ 5195, compared to \$ 10,499 for East Asia and the Pacific. Thus, in 2013, only Sub-Saharan Africa ranked lower in HDI than South Asia.

## Healthcare in South Asia

In South Asia, two types of healthcare systems prevail: the first consists of government-run public health services, and the second of privately-run health clinics. The public hospitals lack medicine, proper facilities, and healthcare professionals. The majority of the population, especially the poor, must go to public hospitals for treatment because the private clinics are unaffordable. This situation has led to a discriminatory healthcare system: the rich go to private clinics and the poor go to public hospitals. Those who are extremely poor sometimes end up going nowhere, receiving no treatment and depending solely on the mercy of God to recover. They may resort to the help of quacks. The discriminatory healthcare system poses an additional burden on the middle class because, while they hate to see their relatives go without good treatment, they can ill afford to pay the private-clinic fees for both themselves and their poorer relatives. On many occasions, people reckoned as middle class end up selling their property or other valuables in order to take care of those who are near and dear. Moreover, many rural areas in South Asia do not have adequate healthcare facilities. For example, "almost 74% of India's population lives in rural areas but only 31% of India's hospitals and 20% of hospital beds are in rural areas. In Nepal, there is an unequal distribution of medical manpower. In rural areas, there may be as few as one doctor per 100,000 [people]" (Shankar 2008,



p. 19). South Asian governments should make efforts to improve rural healthcare facilities and preventive medicine. With good financial management and governance in healthcare services in rural areas, South Asia could achieve significant improvement.

## Education in South Asia

A similar situation to that of healthcare exists in the education sector: the poor cannot afford to send their children to school. There is also the problem of the field of education being politicized. The case of Bangladesh serves to illustrate: the leaders of public higher education and the officials in the Ministry of Education are recruited on the basis of their political affiliation rather than their merit measured in terms of research, educational achievement, or administrative experience. They therefore have little incentive or know-how to improve the quality of education.

According to the World Bank Report (2013, p. 15), “The poor quality of education in South Asia, as reflected in low learning levels, traps many of its young people in poverty and prevents faster economic growth and more broadly shared prosperity.” This emphasizes the necessity of improving the quality of education. But the report goes on to say that South Asian countries have invested in education to achieve the Millennium Development goals of 2015. As a result, from 2000 to 2010, enrollment has increased from 75 to 89%. That said, enrolment statistics for individual countries do differ widely, with Sri Lanka achieving near 100% while Afghanistan and Pakistan lag behind. The report also suggests a multi-faceted strategy to deal with the problem of poor-quality education: governments should ensure that young children have enough nutrition, they should raise teacher quality, use financial incentives to boost quality, bring in the private sector and improve the measurement of students’ progress. Furthermore, if an improved educational system can help the manufacturing industry, then the demand for products will increase and generate more employment for the people. Awan et al. (2011, p. 660) explain that education and poverty are inversely related: children who live in poverty are likely to be more poorly educated than their more advantaged peers (Kiernan and Mensah 2011, p. 311). Hungry and ill-fed children cannot concentrate on their studies, so government-sponsored school-lunch programs can positively impact children’s educational achievement. Healthy development, especially in the first 3 years of life, is very important for a child’s ability to be an active learner (McCain and Mustard 1999). One initiative worth mentioning is Bangladesh’s Food for Education (FFE) program, which started in 1993. The program provides a free monthly allotment of rice and wheat to poor families if their children attend primary school. Research by Ahmed and Ninno (2002, p. 16) shows how the FFE program has made an impact on enrollment:

[S]tudent enrollment in FFE schools increased by 35 percent per school over the two-year period from the year before the program to the year after the introduction of the program. Enrollment of girls increased by a remarkable 44 percent, and for boys, the increase was 28

percent. In contrast, per school enrollment in non-FEE government primary schools at the national level increased by only 2.5 percent; 0.1 percent for boys and 5.4 percent for girls.

The FEE program is clearly a step in right direction. The challenge is how to increase the enrollment level to 100%.

## Poverty in South Asia

South Asia is currently averaging 6% economic growth per year (UNDP 2014). While this is causing a decline in poverty, severe, multi-dimensional poverty remains throughout much of the region. Multi-dimensional poverty means serious deprivation of health, education and standard of living. To elucidate: despite India's tremendous progress, 55.28% of the population (about 612 million people) is reckoned to live in multi-dimensional poverty. "South Asia has the largest multi-dimensionally poor population, with more than 800 million poor and over 270 million near-poor—that is, more than 71% of its population. It makes South Asia home to 56% of the world's poor and more than 35% of the world's near-poor" (UNDP 2014, p. 19). Table 8.6 shows how South Asia's poverty level compares with that of other regions.

Table 8.6 shows that South Asia has the second highest percentage of people living on less than US\$ 1.25 per day (31%). These people are trapped in vulnerable employment, that is, very low-paid, insecure jobs. When combining statistics for South Asia with that of Sub-Saharan Africa, one finds that 77% of total employment in these regions falls in the category of 'vulnerable' (UNDP 2014, p. 23). Because nearly half the world's *working* population continues to be in vulnerable employment, this means the majority of the world's population lacks a decent standard of living.

In Table 8.7, which shows the percentages of the people with vulnerable employment in different regions of the world, South Asia scores second highest. It also has the second highest percentage of poor people, many of whom have unstable jobs as domestic helpers or seasonal farm workers. Without stable incomes, they remain in poverty.

**Table 8.6** Percentage of people living on US\$ 1.25 a day. (Source: World Bank 2013)

Regions	Percentage
East Asia and the Pacific	12.5
Europe and Central Asia	0.7
Latin America and Caribbean	5.5
Middle East and North Africa	2.4
South Asia	31.0
Sub-Saharan Africa	48.5

**Table 8.7** Percentage of people with vulnerable employment. (Source: UNDP Human Development Report 2014)

Regions	Vulnerable employment: % of total employment 2010	Vulnerable employment: % of total employment 2012	Working poor: % of total employment 2010	Working poor: % of total employment 2012
Developed economies, EU	11.2	10.1	N/A	N/A
Other European and other independent nations	23.8	19.7	5.0	1.7
East Asia	58.4	48.9	31.2	5.6
South East and Pacific	65.2	61.1	33.7	11.7
South Asia	81.3	76.9	43.9	24.4
Latin America and Caribbean	35.8	31.5	31.5	3.5
Middle East	33.5	27.0	1.4	1.4
North Africa	42.1	41.4	9.5	6.4
Sub-Saharan Africa	81.8	77.2	56.7	40.1

**Table 8.8** Gini index of income equality for South Asia. (Source: World Bank Data 2013)

Countries	Gini index scores
Afghanistan	27.8
Bangladesh	32.1
Bhutan	38.7
India	33.9
Maldives	37.4
Nepal	32.8
Pakistan	30.0
Sri Lanka	36.4

0 perfect equality, 100 total inequality

One obstacle to improving incomes and economic conditions is inequality. Inequality deprives people of a decent standard of living and forces them to remain in poverty. Table 8.8, which is based on the Gini Index, shows the distribution of income inequality in South Asia. The Scores vary from 0, meaning perfect income equality, to 100, meaning total inequality.

A glance at Table 8.8 shows there is no significant difference between income equality levels in South Asian countries. The three countries with least income equality are Bhutan, Maldives, and Sri Lanka. Afghanistan has the highest income equality. When resources are limited, as is the case in the South Asian countries with large populations, income inequality becomes a serious problem.

Another way to determine income inequality is to calculate the share of income, in percentages, accruing to different groups in a population. This is a method of assessing inequality used by the World Bank. The richest group would of course have the highest percentage, and the poorest group would have the lowest percentage, but what is interesting is just how high or how low these levels are. The greater the rich group's percentage, the greater is the income inequality—accordingly, the smaller the rich group's percentage, the lower the income inequality.

This method of calculation comes to expression in Table 8.9, which shows the share of income accruing to the richest 10% and the poorest 10% of the populations

**Table 8.9** Income share in South Asia in percentages. (Source: World Bank Data 2013)

Countries	Highest (richest) 10% of the population	Lowest (poorest) 10% of the population
Afghanistan	22.9	N/A
Bangladesh	27.0	4.0
Bhutan	30.8	2.9
India	28.8	3.7
Maldives	N/A	N/A
Nepal	26.5	3.6
Pakistan	25.6	4.2
Sri Lanka	30.0	3.4

in South Asian countries. Afghanistan has the lowest share of the income accruing to the richest 10% of its population, and Bangladesh comes in second, as it were. This would presumably mean the greatest levels of income parity in South Asia are in Afghanistan and Bangladesh, but data for Afghanistan is incomplete. The two countries with the highest percentage of income accruing to the richest 10% of the population are Bhutan and Sri Lanka. In other words, they have the greatest income *inequality* in South Asia, with Bhutan scoring worst of all. Of the countries with sufficient data, Pakistan and Bangladesh have the highest income share accruing to the poorest 10% of the population. Nevertheless, 4.0 cannot be said to be a good score.

Reducing income inequality is a difficult challenge encountered in the developed countries as well as in the developing countries, but this is no reason to treat it as unsolvable. According to Philippe Le Houverou, World Bank Vice President for the South Asia Region, “Things need to change for South Asia to double its growth to 9%. Unless governments can raise more tax and boost private sector development, South Asia will not end poverty and address inequality.”

## Conclusion

Based on the data presented above, South Asia scores very poorly on all the indicators of human development and good governance. The statistical analysis of the data from the developing countries shows that there is a high correlation between the HDI and the WGIs. Therefore, this study draws the conclusion that if South Asia can improve voice and accountability, maintain political stability, establish the rule of law, ensure government effectiveness, enhance regularity quality, and control corruption, it can make significant progress towards human development. The results of regression analysis, which are based on the data from the developing countries, show that government effectiveness is the strongest variable affecting the HDI scores. This finding warrants the assertion that there needs to be improvement in government effectiveness in South Asian countries. Government effectiveness is measured by assessing people’s perceptions of efficiency in public service delivery. The crucial elements in human development are health, education, and income. Obviously, if the South Asian countries can improve efficiency in providing healthcare, education, and income, they can improve human development.

Having said this, the problems of human development are so ingrained that they cannot be changed overnight. It would be unjustified for donor countries and other international organizations to expect *dramatic* changes in human development in South Asia. With good governance, South Asia can come up with sound policies on healthcare, education, and economic well-being.

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# Chapter 9

## Key Issues in Women's Representation in Bureaucracy: Lessons from South Asia

Syeda Lasna Kabir

### Introduction

In most third world countries, the disparity between male and female representation in the civil service is wide. “Women have little or unequal access to public employment” (Zafarullah 2000; Kabir and Jahan 2007). These governments employ few women in the civil service, and they only figure prominently in jobs set aside for them, while executive positions are generally occupied by men. “A very insignificant number of women occupy key decision making positions in the public service” (United Nations 1989; see also UNDP 1995). The International Labour Organization (ILO) clarifies that by emphasizing “the promotion of women’s participation in economic activity, including the management and decision making levels, is not simply a question of equity, but also one of necessity for viable and sustainable national development” (United Nations 1989, p. 242).

The study upon which this chapter is based probes women’s participation in South Asia’s (India, Pakistan, and Bangladesh) civil services. I discuss to what extent women in these countries participate in the policy management process, especially in the central decision making process in public administration. Actually, the validity and trustworthiness of democracy will be in question if women, who constitute half the population, remain absent from the decision making institutions of a society (cf. Haque 2003). The Platform for Action adopted at the Beijing Conference (in September 1995) reaffirmed this view:

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This paper is a result of extensive fieldwork carried out by the researcher from January 2008 to October 2008 (during her stay in India as an ICCR Commonwealth PhD researcher). The majority of both primary and secondary data were collected during the fieldwork phase. In February 2011, May 2012 and August 2014, the author updated the data pool.

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[W]omen's equal participation in decision-making is not only a demand for justice and democracy but can also be seen as a necessary condition for women's interests to be taken into account. Without active participation of women and [the] incorporation of women's perspectives at all levels of decision-making, the goals of equality, development and peace cannot be achieved.

The chapter is divided into four parts: the first part elaborates the background of the emergence of the civil service system in India, Pakistan, and Bangladesh as well as women's position in that system; the second part discusses the conceptual framework, methodology, and data collection process. Part three describes the factors affecting the participation of women in the civil services in these three countries. In the conclusion (part four), I make recommendations that may improve women's position and participation in the civil services in South Asia.

## Women's Position in India's Civil Service<sup>1</sup>

India's civil service is composed of the central and the provincial civil services. The central government has constituted the three *All India Services* (Indian Administrative Service, the Indian Forest Service, and the Indian Police Service) and several other Class I central services categorized according to Group A, B, C, and D services. Each provincial government has 10–20 services, depending on its historical background and size. There is no special *reservation* (affirmative action or quota system) for women in the Indian Administrative Service. Their entry is on merit alone. According to the Indian constitution, gender discrimination is prohibited and there is no bar against persons belonging to different regions, castes, and creeds; anyone can join the civil services. Neither is there any bias against people with a particular educational background that could facilitate their entering the civil services. In the case of Schedule Castes and Schedule Tribes,<sup>2</sup> the reservation is about 22% in the three aforementioned All India Service.<sup>3</sup> However, this does not help

<sup>1</sup> One of the major problems in obtaining data on women's employment in the civil service is that the data are often incomplete and 3–4 years old. It is with these limits in mind the data below must be regarded.

<sup>2</sup> The Schedule Castes, also known as the Dalit, and the Schedule Tribes, are two groupings of historically disadvantaged people who are given express recognition in the constitution of India. During the period of British rule in the Indian sub-continent, they were known as the Depressed Classes. Since independence, the Schedule Castes have benefited by the *reservation* policy. This policy became an integral part of the constitution through the effort of Dr. Bhimrao Ambedkar, regarded as the father of the Indian constitution, who participated in the round table conferences and fought for the rights of the Depressed Classes. The constitution lays down general principles for the policy of affirmative action for the SCs and STs.

<sup>3</sup> For both the Indian Administrative Service and the Indian Police Service, the age limit is 21–32 years. The upper age limit of 32 years is also relaxable by five more years for candidates belonging to Scheduled Casts and the Scheduled Tribes categories, 3 years for Other Backward Cast candidates, and 5 years for people who lived in Jammu and Kashmir during the period between 1 January 1980 and 31 December 1989, among others.

women unless and until they fall under the Schedule Tribes or the Schedule Casts category; only then can they utilize the benefit. In the case of the various states (provinces) of the Indian union, this reservation (in state administration) is somewhere between 50 and 69% (Mishra 2001).

The entry of women into the Indian Administrative Service is a post-independence phenomenon. The service around which all other services revolved—the Indian Civil Service—was manned exclusively by men before 1947. Since independence in 1947, the constitution has permitted Indian women to enter the administrative services, especially in the public sector. During British rule, women were disqualified for higher administrative posts. Immediately after independence, women were allowed to take the competitive examination for the administrative service. However, rule 5(3) of the Indian Administrative Service, Rules of 1954, empowered the government to demand the resignation of a female officer after marriage on ground of efficiency (Swarup and Sinha 1991; Kabir 2011). After women parliamentarians and women leaders heavily criticized this provision, the All India Services cut it from their recruitment rules in 1972. Nevertheless, the percentage of women in the Indian Civil Service remains very low, only around 11% of the total. Presently the percentage of women working in the central government is at 8%, of which 24% are in the three All India Civil Services (administrative, forest and police services).<sup>4</sup>

## Women's Position in Pakistan's Civil Service

After its creation in 1947, Pakistan kept intact the civil service system developed by the British. Although the 1956 and 1962 constitutions ensured equal opportunity for all citizens with regard to public employment, in reality, the situation was quite different. The structuring of Pakistan's civil service has nevertheless undergone some changes in response to needs and changing circumstances, for example regarding the appointment of women in different cadres. To begin with, the civil service recruitment rules clearly mentioned that women would be considered only for (a) audit and accounts services, (b) railway accounts services, (c) military accounts services, (d) and income tax and postal services. They were not eligible to enter the All-Pakistan Services, that is, the Civil Service of Pakistan<sup>5</sup> and the Police Service of Pakistan (Mahtab 1995; Kabir 2011). However, women were increasingly hired for other professional services in the fields of education and health, both at the central and provincial levels, as well as in the subordinate services.

<sup>4</sup> <http://www.thaindian.com/newsportal> [Accessed 8 March 2009].

<sup>5</sup> Civil Service of Pakistan, a defined cadre that dominated Pakistan's bureaucracy during the 1950s and 1960s, until its abolition in 1973. The District Management Group was established as a result of 1973 administrative reforms. Its name was changed to Pakistan Administrative Service in 2012.

But the situation was not all that straightforward: women were hired by the services for which they were qualified only when they voluntarily declared that they would resign from the service after marriage or remarriage. The then-Pakistani government was of the opinion that once women got married, their skill diminished (Chowdhury 1969; Kabir 2011).

After 1973 the scenario changed theoretically, since Pakistan's constitution and article 27 made provisions for the equal opportunity of women to enter the civil service. In this regard, the government could take any affirmative action (positive discrimination) to increase women's participation in the civil service (Article 34). After 33 years, in 2006, the government adopted a policy of reserving a 10% quota for women in Central Superior Services,<sup>6</sup> and another milestone was achieved when 10% of senior management jobs were reserved for women. However, in a UNDP report in 2008, only about 5% of government jobs were held by women (all scales BPS<sup>7</sup> 1–22). This bespeaks great disparity between men and women in government service. In the civil service, those who are in the basic pay scale of 16–22 are considered to belong to the officer class. On this level, women constitute only 12% (from basic-pay-scale 17–22).<sup>8</sup>

## Women's Position in Bangladesh's Civil Service

Bangladesh inherited Pakistan's administrative structure and civil service system, both of which were continuations of the system put in place by the British. As such, they were the product of the old order (Morshed 1997).

The government of Bangladesh therefore has a two-tier administrative system. The upper tier is the central secretariat at the national level, consisting of ministries and departments that make policies and perform clearing-house functions. The second tier consists of 'line' units attached to the ministries and departments; these units are mainly responsible for general administration, service delivery to citizens, and the implementation of various government development programs at the sub-national level (Ahmed 2002). The civil service has been classified vertically into four categories—class-I, class-II, class-III, and class-IV—based on such variables as levels of responsibility, educational qualification, and pay range (Ahmed and Khan 1990). Class-I is the highest category of civil servants.

After independence in 1971, Bangladesh's government took steps to increase women's participation in administration and policy making. The constitution gives

<sup>6</sup> The civil service of Pakistan selects only 7.5% of the applicants by merit, education, qualification, and experience while 92.5% are selected by the quota system.

<sup>7</sup> Under the 1973 administrative reforms, the ranks in the civil service were classified into 22 national pay grades (basic pay scale). Grades 1–4 were designed for unskilled tasks; grades 5–15 for clerical personnel; grade 16 for superintendents; and grades 17–22 for officers. The fundamental pattern of grades has remained the same despite several revisions since inception.

<sup>8</sup> *Pakistan Observer*, 26 August 2008.

equal rights to women to enter any employment or office in the civil service. It not only ensures equality of the sexes but also acknowledges the necessity of remedying the existing unequal representation by reserving a certain percentage of civil service posts for women. But in spite of constitutional provisions for guaranteeing the equal representation of women in all sectors, and the continuous support and cooperation from local and international agencies in advocating for women's rights, women have been only marginally employed in administrative positions. At present, out of the total public sector employment, only about 19% are women, and among these, over 90% are class III and class IV employees (Government of Bangladesh 2008). Accordingly, the vast majority of women in the civil service are low-paid clerical staff. There are very few women in the top administrative and managerial classes that carry higher prestige and pay (the pay scale for clerical staff is about 10% of what class-I staff earn). This is despite the reservation quotas: 10% of class-I and class-II posts, and 15% for class III and class IV posts (Banglapedia 2004).

In the central decision making arena—the nerve center of government—the number of women employees is very insignificant. In the various ministries and divisions, only 14% are women (as of July 2007, Government of Bangladesh 2007).<sup>9</sup>

Having recognized the above concerns, the major question of this research is simply this: Why is the level of women's participation in the civil services (especially at the decision making level) in South Asia (India, Pakistan, and Bangladesh) so low?. (Table 9.1)

## The Study Proposition

Based on the above discussion, I put forward the following proposition:

Women administrators are encountering a larger permeable glass ceiling in the civil services, resulting in a lower proportion of women in higher (decision making) positions in the civil services of South Asia.

The 'glass ceiling' metaphor refers to barriers or impediments that prevent women and minorities from advancing to senior-level positions in their organizations. Here the term glass ceiling will be used to describe various problems female government workers face: they can see where they want to go but they find themselves blocked by an invisible barrier. Examples of such barriers can be the attitudes of society in general, group or individual prejudice, restrictive and biased male working practices, and a lack of the support from men—these are all important factors that conspire to build and strengthen the barriers women face (Flanders 1994; Mavin 2000).

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<sup>9</sup> Recently some women have been recruited to top civil service positions. Four women are now posted as 'secretary' in contrast to 70 men. 23 are listed as 'additional secretary' in contrast to 251 men in various ministries [www.mopa.gov.bd](http://www.mopa.gov.bd). (accessed 4 August 2014).

**Table 9.1** Types of administrative quotas in India, Pakistan, and Bangladesh<sup>a</sup>. (Source: Pakistan Observer, 26 August 2008; Statistic and Research Cell (O & M Wing), Ministry of Public Administration, Government of Bangladesh 2002, 2011; and <http://www.thaindian.com/newsportal/politics>; and Statistical Pocket Book of Bangladesh 2008)

Country	Quota provision	Total % of Women in the central services (%)	% of women in the higher level in the government services
<i>India</i>	No quota reservation for women in the IAS	8	11 % (IAS) (as of 2008)
<i>Pakistan</i>	10% quota for women in the Central Superior Services (CSS) (since 2006)	5	12% (BPS 17 to 22 grades) (as of 2008)
<i>Bangladesh</i>	10% quota for Gazetted and 15% quota for non-gazetted officers (since 1976)	19	10% (only class-I) (as of 2001); 10.7% (as of 2011)

<sup>a</sup> According to a 2014 UNDP report on 'Gender Equality in Public Administration', women's participation in public administration in India is 12% (overall percentage), and in the decision making levels it is 10%. In Bangladesh it is 22% (overall percentage) and in the decision making levels it is 17.8%. <http://www.moestab.gov.bd>. (Accessed 4 August 2014)

## Part II

### *Conceptual Framework*

I use a cultural approach to explore the glass ceiling issue. Culture is the learned and shared ways of thinking and acting amongst a group of people or a society. Hofstede (1984, 1991) refers to the concept of culture as the software of the mind, a sort of mental programming. In the views of Thompson et al. (1990), the myriad of definitions of culture can be reduced to two groups: one sees culture “as composed of values, beliefs, norms, rationalization, symbols, ideologies, i. e. mental products”; the other sees culture “as referring to the total way of life of people, their interpersonal relations, as well as their attitudes” (see also Jamil 1994). Culture influences our daily lives in the way we eat, dress, greet, treat, and relate to one another; it affects how we teach our children, manage organizations, and solve problems. We are not born with a culture but rather are born into a society that teaches us the collective ways of life which we call culture (Robertson 1981). Most anthropologists and sociologists tend to agree that culture cannot be genetically transferred. Culture is learned behavior; it is not inherited. It is shared ways of doing things and helps us adapt to our ever-changing environment.

Hofstede (1991, 2001) is a cross-cultural researcher who has been influential in developing a theory of national culture (Gatley et al. 1996).<sup>10</sup> In his recent work, he has studied the influence of culture on organizational structure and performance. Through investigating the work-related attitudes and values of managers working in IBM in more than 50 countries and three regions of the world, Hofstede has put together an impressive analysis of cultural variations between nationalities (Tayeb 1988; Handy 1993). Since his respondents were doing similar work in the same multinational company, many variables could be controlled. The only significant difference was the respondents' nationality. Hofstede could therefore claim that in the study, the differences in attitudes and values were due to cultural differences (Gray and Mallory 1998). Hofstede's work has been widely used and criticized by researchers. Here I use it as a framework for organizing information and data. The four dimensions of national culture or value categories—power distance, uncertainty avoidance, collectivism/individualism, and masculinity/femininity—provide a relevant typology for describing the administrative culture of India, Pakistan, and Bangladesh. These three countries were included in Hofstede's original survey.

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<sup>10</sup> Geert Hofstede, a Dutch engineer for 10 years, returned to school to earn a PhD in social psychology. After completing his dissertation, IBM hired him as a management trainer in the European executive development department. Later he started a department for doing research in the field of personnel. He collected 116,000 survey responses that laid the groundwork for his popular book *Culture's Consequences*. Upon leaving IBM, Hofstede used 6 years to complete the book.



## *Comparative Method*

As intimated, my aim has primarily been to conduct a comparative study of women's participation in the civil services in India, Pakistan, and Bangladesh. As a tool for comparing the three countries and evaluating the pertinent features, I have chosen Mill's (1943) Most Similar System Design, which focuses on macro-systemic similarities (socio-cultural and economic factors) and inter-systemic differences (policies regarding women and affirmative action/quotas).

Since the presence of women in government positions appears to be relatively the same for all three countries, for this study, culture is treated as the factor that enables me to identify the similarities between the cases. The macro-systemic commonalities among the three cases, as well as the inter-systemic variations, are introduced in Table 9.2 and discussed in the following paragraphs.

According to Hofstede's features of national culture, the countries of India, Pakistan, and Bangladesh appear to be collective, somewhat masculine societies with high power distance and uncertainty avoidance. They resemble 'hierarchic' cultures, as posited by Thompson (1990), 'traditional' cultures as posited by Inglehart (2001), and are strong on 'vertical authority' (Max Weber's rational-legal model) as mentioned by Jamil (1994).

The similarities in the cultural traits of the three countries can of course be traced back to the fact that they formerly constituted one country and had the same type of public administration. Past developments during pre-British and pre-Mughal rules are important, yet 'modern' public administration in this region was significantly molded by almost two centuries of British colonial domination. Almost all aspects of Indian society were influenced, and old governing institutions were shaped in the British model. Public administration was the central pivot for institutions like the executive, the legislature, and the judiciary (Khan 2000). Bangladesh, like India and Pakistan, basically adheres to the same ideology and structure of bureaucracy as embodied in the ethos of the Indian Civil Service. In terms of structure and ethos, there has been little change in the system even though colonial rule ended in 1947. The situation did not change significantly during the period of united Pakistan (1947–1971). Only a handful of women entered a few class I services such as the Pakistan Audit and Accounts Services and Pakistan Taxation Services. It was assumed that women would not be suitable for jobs that called for extensive field visits and inspection, maintenance of law and order, and collection of revenues (Chowdhury 1969). Therefore, in order to analyze the participation of women in bureaucracy in this region, it is necessary to discuss the India, Pakistan, and Bangladesh civil service in a comparative perspective.<sup>11</sup>

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<sup>11</sup> Although my study concerns women's participation in the policy management process in South Asia, the countries of Nepal, Sri-Lanka, Maldives, and Bhutan are excluded on logical grounds. Since I have already included three major South Asian countries in my work, inclusion of more countries in the study will be too ambitious and unwieldy to manage.

**Table 9.2** Cultural differences between nations, according to Hofstede. (Source: Compiled by the author from Hofstede 2005)

Cultural Dimensions	India Score	India Rank	Bangladesh score	Bangladesh Rank	Pakistan score	Pakistan Rank	Score (highest)	Score (lowest)	Score mean
Power Distance	77	17-18	80	12-14	55	48	104	11	58
Individualism-Collectivism	48	31	20	56-61	14	68-69	91	06	48
Masculinity-Femininity	56	28-29	55	30	50	34-36	95	05	50
Uncertainty Avoidance	40	64	60	45-47	70	35-38	112	08	60

The higher the score, the stronger the dimension

## ***Data Collection Methods: Dependent and Independent Variables***

The dependent variable of this study is the employment share of women in the senior-level civil services of India, Pakistan, and Bangladesh, more precisely; only in the national government (local government levels are excluded). The independent variables are the government policies regarding women (affirmative action/quota), the role of recruiting agencies (such as Public Service Commission), the role of different promotional agencies, plus socio-economic and political situations of this region that might affect the employment and participation of women.

### ***The Data***

The study's methodology, which was developed by the author, involved identifying and interviewing women administrators. In India, samples include only the female Indian Administrative Service officers.<sup>12</sup> In Pakistan, only the female District Management Group<sup>13</sup> officers were targeted, and information was obtained through email and phone calls. In the case of Bangladesh, the samples include only the female officers in the Bangladesh Civil Service Administrative Cadre. The data collection period lasted 10 months (from January 2008 to October 2008).

A subset of individuals was selected from the total population through sampling. In the context of the present article, the sample sizes were determined on the principle of purposive sampling.<sup>14</sup> In each country, questionnaires were distributed to all women administrators in the designated top ranks. Of the approximately 60 persons (20 from each country) 36 responded, that is, around 60%: fifteen from India (Delhi, Mumbai, and Pune); five from Pakistan (Islamabad); and sixteen from Bangladesh (all from Dhaka). The questionnaires, which were usually completed by the respondents in their homes or offices, were followed up with in-depth interviews in the respondents' offices. Each respondent was visited 2–3 times by the researcher to obtain the responses.<sup>15</sup> Regarding the respondents from Pakistan; the in-depth interviews were mostly conducted through phone calls. In addition, 30 respondents

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<sup>12</sup> The Indian Administrative Service is the administrative civil service of the government of India. Indian Administrative Service officers hold key positions in the Union Government, State government, and Public Sectors Undertakings. The Administrative Service is one of the three All India Services (Administrative, forestry and police services).

<sup>13</sup> The District Management Group is now the Public Administration Service, which dominates civil service appointments in the Federal and Provincial Secretariats as well as in the Districts.

<sup>14</sup> Purposive sampling techniques are primarily used in qualitative studies. These may be defined as selecting units (e.g., individuals, groups of individuals, institutions) based on specific purposes associated with answering research study questions. Maxwell (1997) further defines purposive sampling as a type of sampling in which "particular settings, persons, or events are deliberately selected for the important information they can provide that cannot be gotten as well from other choices."

<sup>15</sup> Tape recorders were not used.

from academic and research backgrounds were selected for interviews—ten from each country. However, the response rate was ten from India, two from Pakistan, and ten from Bangladesh. In other words, 22 out of 30 responded. Comparison will therefore be made mainly between India and Bangladesh. I have tried to bridge the data gap through limited primary and secondary data to make a comparison with Pakistan as well.

The questionnaire for this research is divided broadly into two parts based on subject matter. The first part is based on the socio-economic and educational backgrounds of women administrators, while the second part concentrates more on their perceptions and attitudes to their career and task environment. As mentioned earlier, the respondents have been divided into two broad categories: (1) administrators in India, Pakistan, and Bangladesh, and (2) experts or researchers on Women in Development (WID) issues. The discussion with the experts was more informal in nature; they tried to analyze why women's participation was so low in the region, and what factors affected the women's task environment and how far they were able to manage those issues.

## **Part III**

### ***Factors Affecting Participation***

Part III delves into the perspectives of administrators from India, Pakistan, and Bangladesh and is based on the primary data. This is divided into two sections. In section one, I sum up the female administrators' discussions on socio-economic factors and their perceptions and attitudes to their organizations. In section two, I discuss the findings based on the quantitative/qualitative data from the interviewed administrators and the opinions and suggestions given by the academicians and researchers on WID issues.

### ***Section One***

What follows is an overview of major identified trends in the socio-economic profile of the women administrators. Regarding age; it was found that women administrators were in their forties, and the majority of them had post-graduate qualifications before they decided to apply for civil service positions. Most were born in metropolitan centers, so they had an urban upbringing which provided them with educational facilities and amenities that, it is assumed, helped equip them for their present post. Rural populations were under represented in the survey conducted by the researcher. The majority of administrators have 15–20 years of service experiences. Owing to the nature of their service and place of posting, the majority live in nuclear families. English was the medium of instruction throughout their schooling,

all the way to university. As far as the profession of parents is concerned, it was found that the fathers of most of the respondents are employed in urban-based government services. Most respondents' mothers choose to remain as housewives and only a few of them are working women. Husbands of administrators also are mostly in administrative services, which, relatively speaking, gives them better standing, both monetarily and status wise.

Most of the women claim to have joined the civil service because of the social status and prestige of government jobs, or job security. Most have a positive opinion about the organizations they serve, and they seem quite satisfied with the notion that their contributions and achievements are recognized by their organizations. They also feel they are treated with fairness and respect in their organization. More than 70% think their superiors, colleagues, and subordinates treat them with respect, even though they have experienced some traditional biased attitudes regarding women, which is common in a male dominated society. Most of the administrators from India think it is not through gender, but through caste<sup>16</sup> that women in the civil service are discriminated against (this is however not applicable for the respondents since they all belong to the upper caste). Though they are managing both the full-time responsibilities of a family and a job, there are certain problems which hamper their ability to work efficiently. It is general practice that they are not preferred for field postings which need extensive touring, visiting riot-prone zones, and so forth. They are mostly attached to the secretariat postings and especially in the areas of health, family planning, social welfare, and education.

They generally think that people are treated differently at work because of their gender. They sometimes feel discriminated against on the grounds of sex, and the majority think it is safe to follow the organizational formal procedure to handle such situations. They occasionally face verbal abuse from the public, and not only because they are women. Most administrators think the policies and procedures of their organization are not fair enough and are not solely based on merit. Promotion, transfer, posting, placement, deputation, training, and performance appraisal all have loopholes, since they operate mainly on the basis of personal contacts and political affiliation. The respondents therefore have differing views regarding the opportunities their organization provide to develop their skills and careers, as these are highly politicized and subjective. Generally, for career development, they think it is necessary to exercise promptness; to be promoted in the next level by following formal rules; and to get an appraisal note on time and in an objective manner. Transfer and deputation, they think, should be based on proper rules and regulations, not on political considerations. All the above points are necessary for smooth career development. All the respondents have a positive notion regarding

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<sup>16</sup> The competition between Indian Administrative Service officers is fierce, since only a minority can reach the higher posts of the administration, in the secretariat and in the ministries. Merit and seniority are not the only considerations in career advancement. Disguised discrimination is a common practice, and incompetent officers are sometimes promoted only because of their caste identity.

these procedural issues, even though they do not function fairly in the given organizations.

Most of the respondents mention that 'family commitment' and 'do not want to work in difficult location' (field posting) acted as barriers in their career development. They prefer secretariat postings because they can do their job and simultaneously fulfil family responsibilities. The majority of women administrators think 'relationships with politicians' nowadays have a strong influence in any kind of promotion, transfer, or deputation in the three countries. Most of them think that in the current situation, in order to be promoted, one must have 'political affiliation' as an added qualification along with 'merit'. The majority say they receive political requests and face political pressure whilst performing duties; this they consider natural, and they have to cope with the situation and survive. "It is called the art of managing", says one respondent from India, and when "someone [is] in the service for some time, she is able to know the art".

## ***Section Two: Major Findings of the Research***

It is clear that women's active participation in the civil service is hampered because of the issues raised above by the women administrators, but the problems are also enunciated by the academics and researchers of WID issues. The following paragraphs present what are found to be the key issues affecting women in development, and in particular, the factors which impact women's participation in the higher levels of the civil service.

### ***Organizational Factors***

The majority of administrative respondents from all the three countries mentioned that initially, they did not face any problems regarding promotion and other policies offered by the organization, since promotion was mainly based on an organizational time frame. Later on, in the senior level, the women do face discrimination, and the problem is more apparent in the big cities than in the smaller cities. All the respondents claim to face discrimination as regards promotion, transfer, deputation, and placement. They complain that they are always 'number two' in their respective departments. They mention that a woman's work is assessed not necessarily by neutral and objective criteria. The gender angle somehow creeps in, directly or indirectly. Thus, women who speak up are 'aggressive' while their male counterparts are 'dynamic'. Women who show sympathy or are caring are considered 'weak' or 'emotional' while men are considered the 'new-age males'. Women who put the job first, even before family, and who get things done are considered 'hard', while a man would be considered 'efficient'. Along with other factors, they mention a superiority complex and negative attitudes from their male superiors and colleagues, and the lack of a supportive work environment. Socially speaking,

people still consider a man's work much more important than that of a woman. As a result, work spaces and work patterns are completely male-oriented in these countries. Furthermore, special arrangements for women officers are absent in the office environment. This is also related to the lack of security for those who are posted to the remote areas.

### ***Cultural Factors***

According to Hofstede's conception of the cultural dimension, it is assumed that India, Pakistan, and Bangladesh are masculine societies. Masculinity pertains to societies where social gender-related are clear and distinct. The predominant pattern is for men to be more assertive and for women to be more nurturing. The cultural patterns of these countries assign specifically gendered roles that result in an extremely limited scope of employment opportunities for women.

Cultural norms continue to inhibit women's access to education in general and higher education in particular. The gender differentiation of roles assigns women to the domestic sphere: early marriage, taking care of children, and domestic work. In almost all masculine societies, the most clearly defined roles for women have been that of mother and wife. Motherhood as distinct from fatherhood has traditionally been viewed as a full-time job. Even when employed outside the home, women tend to remain responsible for the mothering and general housekeeping functions (Davidson et al. 1974; Bayes 1991). The wife-mother syndrome pervades the behavior and role performance of all women in the Indian subcontinent to some extent, and it socializes all women to avoid success, to be unambitious, and to be passive even if they have gained admittance to the administrative service cadre (Lynn and Vaden 1978; Bayes 1991). This might be one reason for the low presence and low participation of women in the civil service.

Lastly, the respondents have agreed on the following general perceptions within society regarding the role of women in public services. These need to be addressed to make an enabling environment for the advancement of women in the civil services in these countries.

- a. Women are involved in the civil service as wage earners, but not with the aim of making it a career. Society, too, accepts women as earners but not as policy makers and executives.
- b. Male staff members have reservations about working under women who are department heads.
- c. There is a tendency to have a 'presence' of women but not to share power with them.
- d. Typically, women are given tasks in the areas of education, culture, child welfare, women's welfare and other 'feminine' areas.



These stereotypes<sup>17</sup> result in differing attitudes held by both men and women regarding women's participation in public administration, and, for that matter, in any other sectors of society. Lastly, it can be said that the common policy on women's development in the three countries is to aim to establish parity between men and women in all spheres of national life. Nevertheless, such an altruistic aim will only lead to positive outcomes if a strong political commitment is patent and backed by an unconstrained bureaucratic apparatus free from male prejudice.

### ***Political Factors***

The majority of respondents say that a relationship with a politician is one of the vital factors that can influence the career development of an administrator. In the case of promotion, transfer, placement, deputation, and foreign training, they mention that these depend mostly on having close relationships with politicians. The majority say that this trend has become stronger in recent years, where the party politicization of bureaucrats has grown to such an extent that the so-called disloyal bureaucrats are discriminated against and placed in unimportant positions, or they are made Officers on Special Duty (also described as 'without a portfolio'). The administrator respondents think that although it is not directly related to gender, what matters most is the nature of one's political connections. Ministers on selection committees or who have direct or indirect influence on such committees can manipulate the process to favor their preferred candidates, whether men or women.

In Hofstede's study, the Pakistani and Bangladeshi societies are more collectivist than in India (though they all belong to the collectivist scale). The most significant manifestation of collectivism in these countries is the key role played by family and kinship structures. Family and kinship-based social structures have given rise to 'patron-clientelism'<sup>18</sup> and the culture of lobbying.<sup>19</sup> It is believed that in bureaucratic decision making in India, Pakistan, and Bangladesh, the intrusions of caste,<sup>20</sup>

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<sup>17</sup> A stereotype is a belief that can be held by anybody about specific types of individuals or certain ways of doing things, but that belief may or may not accurately reflect reality.

<sup>18</sup> In ancient Rome, a patron was usually an older man who took a 'client' under his wing and gave him advice about life (money, business, family, etc.). He acted as a mentor. In return the client would show loyalty to the patron by doing whatever was asked of him (usually he helped the patron with work in the community).

<sup>19</sup> The act of attempting to influence business and government leaders to create legislation or conduct an activity that will help a particular organization. People who do lobbying are called lobbyists.

<sup>20</sup> Caste favoritism leads to unequal allocation of resources and to misappropriation of government funds at the expense of the target groups, that is, the underprivileged sections of society. To explain this practice, the bureaucrats of India accuse local politicians of pressuring them to prioritize serving their 'clients', that is their specific electorate. A young Collector from India admits: "If a Minister or a local MLA gives me 10 names which should be considered first for the distribution of a government scheme, I have to accept at least 5 of them, only then can I serve those who really need this scheme and who are eligible for it."

communal, and familial considerations are fundamental factors. An experienced Pakistani diplomat, who serves as foreign secretary and, more recently, as a foreign minister, has summed up the application of rules in Pakistan thus: “For friends everything, for enemies nothing, and for the rest, strict application of rules” (Islam 2004).

### ***Factors Relating to the Public Service Commission and Promotional Boards***

Observers have argued that the chairman and members of the Bangladesh Public Service Commission (BPSC)<sup>21</sup> act politically since they are recruited by the reigning government on the basis of their political affiliation. In most cases, when the government changes, the chairman and members of the BPSC are reshuffled. This may change or alter the BPSC’s objectives as an independent implementing authority. Now the ‘quota’ in Bangladesh was fully operationalized in the 1980s. And as with all quota systems, there have been administrative problems relating to equitable treatment. Many positions reserved for women remain unfilled because of procedural faults. This is why the respondents mentioned that quotas actually have limited the opportunities for women to enter the civil service and have failed to eliminate not only discrimination against women in general, but also discrimination between different categories of women—the advantaged urban and disadvantaged rural/semi-urban women. The BPSC knows the loopholes of the quota system. However, the respondents point out that taking advantage of the loopholes in the system is not unique to Bangladesh; it is also common in other countries. They say that because the BPSC is a weak institution (it is politically backed), they cannot make decisions properly. The BPSC’s weak institutional character indirectly influences the participation of women in the government services.

In the discussion of political factors, it was noted that different promotional committees are ineffective in Bangladesh and India because of political influence. They only perform the routine work; they must follow the political decisions and only implement those decisions. They cannot perform their duties independently, and this makes their administrative practice very weak. This has a negative influence on the overall organizational policies and procedures, and it might also de-motivate women to participate in the civil service.

All these factors could be said to be collectively responsible for the low participation of women in the civil service. Table 9.3 summarizes the factors.

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<sup>21</sup> Bangladesh Public Service Commission (BPSC) is the central personnel agency for the government of Bangladesh. The agency conducts several examinations for prospective employees.

**Table 9.3** Key factors affecting participation

<i>Organizational factors</i>	Problems of organizational policies and procedures (i.e., recruitment, training, deputation, transfer, etc.) Lack of skills and the ability to make a decision Superiority complex and negative attitudes of male colleagues Lack of friendly/congenial working environment Lack of security (abuse and harassment) Absence of appropriate and supportive environment in the workplace (Inadequate transport facilities, inadequate residential accommodations, lack of career women's hostel facilities)
<i>Cultural factors</i>	Masculinity cultural pattern (patriarchy, etc.) Gender, caste problems Requirement to work in different locations (field work unsuitable for women) Family commitment (childcare and other domestic responsibilities) Absence of a day-care center Non-cooperation of husband and family members Societal backwardness
<i>Political factors</i>	Politicized bureaucracy Inconsistent and ambiguous policies
<i>Factors relating to the Public Service Commission &amp; promotional boards</i>	Weak Characteristics of PSC and other promotional boards (the Superior Selection Board in Bangladesh and the Central Civil Service Board in India) Lack of fairness in recruitment followed by political influence

## Part IV

### Conclusion

The above discussion gives us a broad understanding of women's participation in the civil service in India, Pakistan, and Bangladesh. Despite governmental efforts to stimulate the entrance and upward mobility of female administrators, the overall figures are not impressive; especially in the higher echelons of public service, women are still very few in number. Those who started in junior positions experience many barriers to career advancement. One of the more general problems is the existing pattern of gender roles; the majority of female civil servants think they face discrimination because of their gender. They think that for women who pursue a career in public administration, the choice continues to be between having a career and having a family. In addition to the lack of office space and other facilities suitable for women, there is the negative attitude of personnel officers who are afraid of dealing with personnel issues which somehow deviate from the male norm. These are strong barriers to women's participation in the decision making sector. As long as governments are unwilling to accommodate the needs of women—for instance the need for more flexible hours and for child-care facilities and arrangements—the position of women will not improve, in spite of a general political climate that supports the hiring of more women.

The respondents mentioned two strategies for helping more women enter the public sector. First, profound changes must be made in the society as well as in the government bureaucracies. Perhaps the most important and difficult of these is to change the gender-specific division of labor. This is what the respondents identify

as the main source of discrimination against women in the work force. The public services gear recruitment and promotion to the model of the male employee who is often unencumbered by family responsibilities (mostly because of an unemployed wife). Not only must the distribution of family roles be changed, but a general awareness of the fundamental importance of family duties, especially child rearing, must be fostered and incorporated into the recruitment rules of the civil service.

Second, as short term strategies, greater female participation in decision making positions in civil service could be achieved through (1) giving preference to female applicants in jobs where women have been underrepresented; (2) altering career ladder requirements that discriminate against women; (3) building up the women's association and network (women's caucus) in civil service; (4) using affirmative action plans (quotas) to advance women, through training and promotion, into key positions; and (5) passing an anti-discrimination act that punishes violations with effective sanctions. The respondents mention these as some of the strategies that deserve attention.

Last but not least, the respondents believe that once women obtain a critical mass<sup>22</sup> of at least 25% of top administrative jobs and are not required to behave like token females, the overall mix of administrative styles will change and the recruitment and promotion of women will become easier. In this way, women's participation in the civil service can increase. This, in turn, can play an effective role in forming a gender-balanced employment policy and attract more women to the civil service.

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<sup>22</sup> In social dynamics, critical mass is a sufficient number of adopters of an innovation in a social system so that the rate of adoption becomes self-sustaining and creates further growth. Critical mass theory in gender politics and collective political action is defined as the critical number of personnel needed to affect policy and make a change not as the token but as an influential body.

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# Chapter 10

## Citizens' Trust in Public and Political Institutions in Bangladesh and Nepal

Ishtiaq Jamil and Steinar Askvik

### Introduction

In recent years trust has become an important independent variable for explaining a number of social phenomena such as economic growth (Doh 2014; Fukuyama 1995), the functioning of democracy (Putnam 1993), electoral participation (Putnam 1995), citizens' willingness to pay taxes (Yang and Holzer 2006, p. 114), support for a regime and its policies (Mishler and Rose 2005, p. 1051), and quality of government (Putnam 2000; Knack 2002, p. 778; Rothstein and Stolle 2008). Trust is also frequently conceptualized as a crucial dependent variable; it could be an effect of variables that render governance good and foster an increase in citizens' trust in public institutions (Rothstein and Teorell 2008). According to Hawley (2012, p. 1), "without trust we would have been paralyzed by inaction".

Trust as a determinant factor, but also the determinants of trust, are well researched. The increased importance of trust research in recent years is partly due to declining public trust in countries like the USA. Yet it also comes about as part of a quest for good governance, where public trust is seen as essential to foster democratic governance (Cook and Gronke 2005, p. 784; Putnam 2000). Most of these studies, however, have focused on the Western context; they have rarely been carried out in countries which have not been covered by the World Values Survey and European Values Survey (Gleave et al. 2011, p. 210; Newton and Norris 1999, p. 3). Bangladesh and Nepal are two countries where trust is understudied. As far as Nepal is concerned, Askvik et al. published one study in 2011, but thus far the country has not been included in any wave of the World Values Survey which started in 1981 (WVS accessed 6 May 2014). Bangladesh was included in the WVS surveys only twice (1995–1999 and 2000–2004). Notwithstanding the rarity of trust-related studies in

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the South Asian region, citizens' trust in public institutions is assumed to be declining because of dysfunctional and unresponsive governance, which leads to social and economic problems (Kim 2010, p. 802; Rothstein and Teorell 2008, p. 166).

Public institutions are the pillars of modern democracy, and if they crumble then there is cause for concern (Newton and Norris 1999, p. 2). A minimum level of trust is necessary for public policy programs to continue to function. Trust fosters public support for the government to implement public policies (Kim 2005a, p. 601). Good governance has been a challenge in South Asia, and Bangladesh and Nepal are not exceptions. According to Worldwide Governance Indicators of the World Bank, scores for these two countries show that they are at the bottom of the scale even amongst the South Asian nations (Jamil et al. 2013, p. 3). Public institutions in these countries have for decades been elitist, and the incumbents of these offices have used public resources for private gain. As a result, the majority of citizens have often been neglected and deprived even of basic public services (Jamil et al. 2013). A situation such as this is likely to generate distrust in public institutions (Rothstein and Stolle 2008; Rothstein and Uslaner 2005). Furthermore, with the increase in the level of education and increased access to information via Internet and digital media, the number of citizens who are critical is on the rise, even in South Asia. Now more than ever before, people can perceive gaps between what is promised and what is delivered by public institutions. Such gaps denote a deficit in good governance and may reduce citizens' confidence in public institutions.

This paper has two major objectives. First, we try to analyze the level of citizens' trust in public institutions in two countries—Bangladesh and Nepal. Second, we ask: What explains variations in institutional trust in these countries? We carry out analyses at the country level to show within-country and cross-country variations. The dependent variable is citizens' assessment of institutional trust measured by confidence in a number of institutions. Two clusters of independent variables are assumed to influence citizens' perceptions of trust. These are *social capital* measured as (1) generalized trust and (2) membership in different associations, and *quality of government* measured by (1) performance of public institutions, (2) how well they address a number of complex (so-called wicked) societal issues (human security, poverty, corruption, etc.), and (3) the trustworthiness of public officials, which is measured by their impartiality, friendliness, helpfulness, less indulgence in corrupt practices, etc. We analyze data derived from surveys we, the authors, carried out as part of a collaborative project in Nepal in 2008 and in Bangladesh in 2009, on the topic of citizens' trust in public institutions.

## Defining Trust

Trust is a multidimensional concept with varied meanings and applications in the social sciences. It was initially conceptualized as being associated with morality: a trustworthy person was equated with being honest, benevolent, friendly, true to his or her word, and highly predictable (Kim 2005a). However, trust is more recently also associated with being calculative and strategic; it diminishes when the person

to be trusted has less opportunity for gain, or when transaction costs are high. Trust is also conceptualized in terms of strengthening interpersonal relationships. Svensson (2005, p. 412) argues that “trust is regarded as one of the most important factors in developing and maintaining fruitful relationships”. It is also a factor in situations where people take risks, where they find themselves exposed and vulnerable to others, or where they are willing to accept vulnerability (Li 2012, p. 101). According to Möellering (cited in Van de Walle and Six 2013, p. 2), trust reduces uncertainty and vulnerability and thereby creates “a state of favorable expectation towards the actions and intentions of more or less specific others”. Finally, people’s level of trust increases through their experiences of dealing with institutions. This is called experiential trust, and it “reflects the actual experiences of people in terms of how public policies are implemented and what kind of services are delivered” (Askvik 2008, p. 517).

Our focus here is on citizens’ trust in public institutions. Is this type of trust different from trust in individuals? Can we trust and distrust an institution, or is the concept of trust only meaningful when it is mainly confined to relationships between and amongst individuals? In the trust literature, *trust in individuals* has been the more common concept to use, in contrast to *trust in institutions*, which is more “controversial” (Askvik 2007, p. 70) and “abstract” (Sztompka 1999, p. 43).

That said, in recent years, we observe an increasing use of trust in assessing citizens’ confidence in public institutions. An institution is a structural arrangement combining rules, roles, routines, and norms. Incumbents in an institution put these into practice. For instance, it is expected that policemen, doctors, nurses, and civil servants would meaningfully interpret and put into practice the rules, standard operating procedures, and official roles they are given. Common citizens come into contact with public institutions through officials such as these. On the basis of the latter’s actions and interaction with citizens, institutions are judged according to whether incumbents are fulfilling obligations and duties, and according to their responsiveness to citizens (Sztompka 1999, p. 44). This results in *procedural trust*, which is vested in normative or professional norms and practices. When rules, standard operating procedures, and so forth are properly followed, this is believed to produce the best results in the area of trust. Lack of trust in public institutions denotes the failure of these institutions to function according to the official norms. This leads to declining legitimacy and a weak state-society relation (Hutchison and Johnson 2011, p. 737). In other words, good governance matters for trust generation.

## Determinants of Institutional Trust: Analytical Framework

Two major perspectives may be derived from literature on institutional trust. One is the society-centered perspective and the other is the institution-centered perspective (Rothstein and Stolle 2008, p. 442). The society-centered perspective stems from the *social capital* hypothesis of Putnam et al. (1993) who argue that long-term organized social interaction fosters social capital, particularly understood as generalized trust in a society. Such social capital in turn affects institutional performance and trust in public institutions. The institution-centered perspective stems from the

*quality of government* hypothesis of Rothstein and Teorell (2008, p. 167), who argue that good governance, which denotes “trustworthy, reliable, impartial, uncorrupted and competent government institutions” (<http://www.qog.pol.gu.se/> accessed 9 September 2014), has a substantial effect on a number of social phenomena including citizens’ support for government. Both these hypotheses are analyzed in this paper.

## Social Capital

The dominant idea of relating trust to democratic governance was introduced by Putnam et al. (1993) in their seminal book *Making Democracy Work: Civic Traditions in Modern Italy*. Here Putnam and his fellow researchers argue that associational life nurtures social capital in society, which in turn explains why democratic governance is more responsive and functional in Northern Italy than in Southern Italy. In short, their major finding is that generalized trust fosters democratic governance. Social capital “is believed to mobilize alienated citizens and lubricate political operations in society” (Coleman and Putnam, cited in Kim 2005b, p. 194). Kim further argues that “social capital theory emphasizes two principal components: one, social networks established by associational engagement such as voluntary organizations, and the other, reciprocal norms and trust between citizens” (Kim 2005b, p. 194). From the discussions on social capital theory, it can be argued that in societies where people in general trust other people, inhabitants are more positive about the democratic institutions, are more engaged in politics, and tend to be more affiliated to civic associations (see also Fukuyama 1995). In such societies people are generally happier with life, they express more solidarity with others, and they are more inclined to share resources (Rothstein and Uslaner 2005, pp. 41–42). Without social capital, many of our goals would have been difficult to achieve, argues Farr (2004).

Despite different uses of the concept of relationships, it is the central focus of social capital (Field 2003). Social capital is enhanced when people share common values and mindsets. It is the relationships between and amongst individuals that enable them to resolve conflicts and overcome the problems arising from collective action (Hooghe and Stolle 2003). Interpersonal trust is argued to be likely to cure all maladies in a modern democracy. It is thought to shape civic morality, to the point where citizens opt for public rather than private gain, and refrain from corruption and the pursuit of narrow personal interests (Letki 2006, pp. 305–306).

Trust amongst individuals can be particular or generalized. Particular trust extends to those who are near and dear, while generalized trust extends to individuals one may know nothing particular about. An example here would be to generalize trust to the larger society or nation (Gleave et al. 2011, p. 211). As Uslaner notes, “generalized trust is the belief that most people can be trusted and particularized trust is faith only in your own kind” (2000, p. 573). According to Askvik et al. (2011, p. 3), “people tend to trust those they perceive to be bearers of a commonly shared identity, be it through extended family, social class, ethnicity, religion, geography and so forth”. These two types of trust are also referred to as bonding (contacts with few who are similar) and bridging (contacts with many who are dissimilar) relationships.

**Hypothesis 1** The higher the social capital in society, the higher will be the level of citizens' trust in public institutions.

## Quality of Government

The established wisdom—the idea that social capital matters for institutional performance—is reversed by the performance- or institutional-based trust hypothesis. According to Rothstein and Teorell (2008, p. 167), institutional trust is based on the quality of government; as such, it is not, as Putnam (1993) argues, necessarily based on the social capital in society. People's uncertainty, anxiety, and unhappiness increase when they are unable “to predict government action when it reaches them”, and when they lack “accurate information about what government bureaucrats can and cannot do” (Rothstein and Teorell 2008, p. 167). The quality of government may determine the nature of public support and hence trust extended to the government. When government functions well and promotes good governance in terms of meeting citizens' basic needs, people tend to trust public institutions (Kim 2010, p. 802; Yang and Holzer 2006).

People tend to trust institutions when they assess the institutions' actions positively, particularly when the latter perform according to rules, roles, and professional standards (Sztompka 1999, pp. 41–45). Sztompka further argues that trust in public institutions depends on the extent to which the institutions are responsive to citizens' needs, for instance through being easily accessible, helpful, and friendly. Trust tends to be high when institutions act according to institutional norms and not according to the preferences of particular interest groups. Moreover, in a democracy, trust plays a central role because this type of government requires that citizens comply with the dictates of authorities and that they abide by democratically agreed laws and rules (Van de Walle and Six 2013, p. 3). Accordingly, procedural fairness and efficiency generate trust in institutions.

Yang and Holzer (2006, p. 115), meanwhile, argue that the link between performance and trust is not that obvious and may be more ambiguous than anticipated. This is because most studies on institutional performance are based on citizens' perceptions. This sparks the question of whether perceptual data on the quality of government is the most valid indicator of government performance. After all, the evaluation of government performance may also be caused by other factors such as citizens' inclusion and participation in the policy making process.

Another question or dispute that arises when carrying out research on trust is whether high trust and distrust fall in the same continuum, or whether they are different constructs caused by different factors (Van de Walle and Six 2013, p. 1; Luhmann cited in Yang and Holzer 2006, p. 115; Cook and Gronke 2005, p. 785). Reasons for trusting and distrusting would be assumed to be different, but not necessarily; high trust may denote naïve trust, and distrust may incite citizens to be more active and aware of how institutions should function and uphold democratic values.

Our objective in this paper is not to settle these disputes but to map citizens' perceptions of confidence in public institutions, to find out whether a high level of

confidence denotes trust, and whether a low level of confidence denotes skepticism towards government. We analyze whether citizens have trust, a deficit of trust, or no trust in public institutions, and what could explain this phenomena.

**Hypothesis 2a** The more the citizens assess public services positively, the more they trust public institutions.

**Hypothesis 2b** The more citizens perceive bureaucrats to be trustworthy in terms of being fair, impartial, honest, helpful, friendly, and less corrupt, the more they trust public institutions.

## Why Study Trust in Bangladesh and Nepal?

There are vast differences between Bangladesh and Nepal in terms of geography, religion, and ethnic composition. Geographically, Nepal is a mountainous country, with high mountains in the north bordering China, medium high hills in the middle, and plains to the south bordering India. In terms of religion, Hinduism predominates, and its adherents are classified along different castes and sub-castes. The second most practiced religion is Buddhism. Nepal has a diverse culture with many ethnic communities and languages. Bangladesh's geography is dominated mostly by plains, rivers and deltas. The country is highly homogeneous in terms of language, ethnicity, and even religion. The dominant religion is Islam (around 90% of the population), followed by Hinduism (comprising around 8% of the total population).

In the case of Nepal, with its huge diversity in ethnicity, language, and religion, we expect that social capital is mostly confined within religious and ethnic groups and that generalized trust is low. We expect quite the opposite to be the case in Bangladesh, inasmuch as it is characterized by homogeneity in religion, language, and ethnicity. If the Bangladeshis share similar values and norms, we expect a greater degree of social capital and strong bonding between people.

Democracy is nascent in both the countries. Bangladesh started holding regular multiparty elections in 1991. The only exceptions are the military-backed caretaker government that ruled from 2007 to 2008 and the single-party election in 2014. In Nepal, after the end of a decade-long Maoist insurgency in 2006, an agreement was reached between the major political parties and the Maoists; the country has opted for parliamentary democracy and abolished monarchism. Nevertheless, it has been challenging to write a new constitution and to decide the future form of government and governance system in this multi-ethnic and multi-lingual country.

Despite the above differences, both countries score low on social, political, and economic indicators as demonstrated by the Human Development Index (HDI), the Corruption Perception Index (CPI), the Multidimensional Poverty Index (MPI), and the World Bank's Worldwide Governance Indicators (WGI). Because these countries are characterized by poor governance, there may be a similar pattern of low citizens' trust in governmental institutions which make them interesting cases to compare (cf. Jamil et al. 2013). From a methodological point of view, and as far

as governance indicators are concerned, Bangladesh and Nepal represent the most similar cases of system-design.

Another shared feature of the two countries' governance systems is strong paternalism (Jamil et al. 2013). Therefore, the quality of governance when measured in terms of the partiality and neutrality of civil servants in delivering public services is low. Gaining access to public offices and even basic services requires proper connections such as *afno-manche* (one's own people) in Nepal and *tadbir* (cajoling and persuasion) in Bangladesh (Jamil and Dangal 2009, p. 204; Jamil 2007, p. 218).

Therefore, in the case of the second hypothesis, which concerns the quality of government, we expect less trust in government and less trustworthiness of institutional agents (civil servants) in these countries. As such, we may expect a positive relationship between better service provision, trustworthiness of civil servants, and confidence in government. In other words, good governance is expected to be positively related to trust generation in public institutions.

## Method of Enquiry

This study is based on country-wide door-to-door questionnaire surveys conducted in 2008 in Nepal and in 2009 in Bangladesh. These surveys are part of a governance project in these countries.<sup>1</sup> A similar questionnaire was administered in both countries and respondents were randomly selected from households.<sup>2</sup> In Nepal, the sample size was 1836 households, and in Bangladesh it was 2000 households. The method was personal interview with a person of 18 years of age or above in a household. After selecting the number of interviews from a district (In Nepal, the sample was sub-divided on the basis of Village Development Committee (VDC), a municipality within a district, and in Bangladesh, on the basis of Upazila or sub-district and urban municipality). In Nepal, 17 out of a total number of 75 districts were chosen for the survey, and in Bangladesh, 21 out of a total of 64 districts were chosen (Table 10.1).

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<sup>1</sup> Conducted and administered by "Governance Matters: Diagnosing, Assessing, and Addressing Challenges of Governance" in Nepal, and the Master in Public Policy and Governance (MPPG) program in Bangladesh. Both projects were financed by the Norwegian Agency for Development Cooperation (NORAD).

<sup>2</sup> In Nepal, after selecting districts randomly based on their geographic spread across the country, households were selected both from VDCs (Village Development Committees) and municipalities within each district (total 75 districts). In each household, efforts were made to select respondents on the basis of age and gender. Every fifth household was selected to participate, however, in the case of the mountain districts such as in Kalikot, Mustang and Darchula, every second house was selected because houses were few and highly scattered in those districts. In Bangladesh, from 6 divisions (total 7 divisions), 21 districts (total 64 districts) were randomly chosen, and from these, 43 upazilas (total 488 sub-districts or upazila) and municipalities were again randomly chosen. Throughout the selection process, an urban and rural balance was maintained: within each district, urban municipalities and upazilas (rural local government) were randomly chosen, and within these, unions (in the case of Upazila) and wards (in the case of municipality) were again randomly chosen. In Bangladesh there are at present around 4500 unions and more than 200 municipalities. The respondents were chosen randomly from households from each of these unions and wards.

**Table 10.1** Socio-demographic distribution of respondents compared with the Population Census Data for 2001 in Bangladesh and Nepal. Percent distribution

	Socio-demographic feature	Respondents in Bangladesh (our sample) %	Population Data of Bangladesh, 2004, 2008, 2009, 2010 <sup>a</sup> %	Respondents in Nepal (our sample) %	Population Census Data of Nepal 2001 <sup>b</sup>
Gender	Female	48	49	45	50
	Male	52	51	55	50
Education	Master degree or higher	3	2	5	54
	Graduate	20	4	23	
	Secondary	64	28	42	
	Primary	8	66	5	
	Literate	4	55	12	
	Illiterate	1	45	12	46
Age groups <sup>c</sup>	61 and above	1	10	5	10
	46–60	8	16	19	15
	31–45	44	32	38	31
	18–30	48	42	38	44
	Muslim	79	89	8	4
	Hindu	16	9	87	81
Religion	Buddhist	4	1	3	10
	Kirat	–	–	0.7	4
	Christian	0.4	0.3	0.7	0.4
	Others	0.1	0.1	0.4	0.4
	Total	2000	Ca. 160 million	1836	Ca. 26 million

<sup>a</sup> **Bangladesh:** Statistical Year Pocket Book, 2009, BANBEIS Database, 2008, Bangladesh Economic Survey, 2010, BANBEIS Website, Bangladesh Country Profile; Sample Vital Registration Survey, 2004, Bangladesh Bureau of Statistics (Accessed 10 October 2010)

<sup>b</sup> **Nepal:** Population Census Data 2001, Central Bureau of Statistics, Kathmandu, Nepal ([http://www.cbs.gov.np/national\\_report\\_2001.php](http://www.cbs.gov.np/national_report_2001.php), accessed 20 November 2008; [http://www.cbs.gov.np/statistical\\_year\\_book\\_content.php](http://www.cbs.gov.np/statistical_year_book_content.php), accessed 7 August 2009)

<sup>c</sup> In the case of Bangladesh, age categories that were available from official documents were 15–29, 30–44, 45–59, and 60+



In spite of efforts to obtain a representative sample, the sample is biased towards men who are educated urban dwellers. This is because of easy access to urban and educated male participants compared with rural participants and women. Moreover, urban and educated men are more politically aware and hence more willing to respond to a questionnaire than are rural inhabitants with little or no education.

## Dependent Variable

The dependent variable of the study is citizens' trust in a number of public institutions. These institutions vary from central-level to local-level institutions. Trust is measured by mapping citizens' perception of confidence in public institutions on a four point scale, i.e., from "A great deal of confidence", "Quite a lot of confidence", "Not very much confidence" and "None at all". In the following, we compare Bangladesh and Nepal on citizens' trust in public institutions (Table 10.2).

In Bangladesh in general, trust in certain institutions is comparatively higher than for similar institutions in Nepal. This is also the case when Bangladesh's scores are compared with international standards. The most trusted institutions in Bangladesh are central-level institutions such as the higher judiciary, the army, and the parliament. The least trusted are the police, student unions, and trade unions. In Nepal, by contrast, local government institutions such as the Village Development Committee (VDC) and District Development Committee (DDC) generate higher trust. Voluntary organizations that promote citizens' participation and democratic governance, for instance trade unions and student unions, also generate a higher level of trust amongst citizens. This is in contrast to the trust scenario in Bangladesh. The least trusted institutions in Nepal are the political parties and the monarchy, followed by two central-level institutions—the parliament and the central government. Since Nepal's transition to democracy in 2006, the political parties have engaged in intra- and inter-party rivalry, and a 'tug of war' between the major parties has ensued, causing it to be extremely challenging to reach consensus on fundamental issues such as the writing of a constitution for 'New' Nepal. Monarchism is less trusted for obvious reasons, since the country became a republic in 2008, after the king abdicated power amidst violent protests for his removal. Some central level institutions such as the parliament and the central government are also less trusted than their counterparts in Bangladesh.

To represent citizens' trust in public institutions in general, we have created an index that includes trust scores for five central-level institutions: the judiciary, parliament/constituent assembly, civil service, central government, and the police. These central-level institutions are the focal points of democratic governance in a country. Citizens have regular contact with them and are constantly scrutinized by them; they are also the focus of mass-media attention, mainly because of their (mis)deeds. The index of institutional trust is our dependent variable.

**Table 10.2** Citizens' confidence in Public Institutions. Percent distribution of those who claim "A great deal of confidence" and "Quite a lot of confidence"

	Bangladesh (A great deal of confidence+Quite a lot of confidence)	Nepal (A great deal of confidence+Quite a lot of confidence)
Higher Judiciary	90	67
The Army	90	58
Parliament/Constituent Assembly <sup>a</sup>	88	45
Office of the Deputy Commissioner/District Development Committee (DDC)	81	70
Lower Courts	79	67
Central Government	77	45
Office of the Upazila (sub-district)/Executive Officer (UNO)	77	–
Political Parties	53	27
NGOs	52	56
Civil Service	50	59
Office of the Union Parishad (council)/Village Development Committee (VDC)	50	75
Trade Unions	47	71
Student Unions	43	71
Police	15	52
Monarchy	–	29
<i>Index of Institutional Trust (Mean)</i> <sup>b</sup>	2.80	2.55

<sup>a</sup> In Nepal, the elected body is called the Constituent Assembly, and its prime responsibility is to frame a new constitution for the country.

<sup>b</sup> The index is created by summing up the scores for five institutions (judiciary, parliament or constituent assembly, civil service, central government, and the police) and then dividing that sum by the number of variables so that the original scale of 1 to 4 remains. A mean score measures overall citizens' confidence in public institutions. The higher the score, the higher is the confidence.

## Independent Variables

Five independent variables may explain citizens' trust in public institutions. These are described in Table 10.3.

Table 10.4 presents descriptive statistics of the independent variables.

**Table 10.3** Independent variables and their indicators

Groups of independent variables	Measured by
1. Social capital: generalized societal trust and civic associationism	Citizen's perception that most people can be trusted or that one needs to be very careful in dealing with people.
	Citizen's membership in different associations such as NGOs, community based organizations, cultural and sports associations, trade organizations, and student organizations.
2. Quality of government: policy performance and trustworthiness of civil servants	Index of the quality of public services such as education, health services, water and sanitation, etc.
	Index of the government's ability to address 'wicked' problems, e.g., the government's efforts in reducing unemployment, corruption, poverty, etc.
	Index of perceptions regarding civil servants' promptness and efficiency, helpfulness, friendliness, reliability, etc.

**Table 10.4** Descriptive statistics of independent variables

	Bangladesh			Nepal		
	Min	Max	Mean	Min	Max	Mean
<i>Social capital variables</i>						
Particular—General trust	0	1	0.01	0	1	0.23
Civic associationism (no-yes)	0	1	0.28	0	1	0.56
<i>Quality of government variables</i>						
Index of public services (bad-good) <sup>a</sup>	1	5	3.11	1	5	3.06
Index of addressing wicked problems (succeeded-did not succeed) <sup>b</sup>	1	5	3.27	1	5	3.74
Index of trustworthiness of civil servants (disagree-agree) <sup>c</sup>	1	4	2.13	1	4	2.12

<sup>a</sup> On a scale from 1 "very bad" to 5 "very good", respondents were asked to evaluate 18 services such as school, health services, water and sanitation, energy supply, maintenance of roads, public transport, etc

<sup>b</sup> On a scale from 1 "succeeded very well" to 5 "did not succeed at all", respondents were asked to evaluate such wicked issues as poverty reduction, stopping or curbing crime and corruption, reducing environmental hazards, etc

<sup>c</sup> On a scale from 1 "disagree completely" to 4 "agree completely", respondents were asked to assess to what extent civil servants are prompt and efficient, corrupt, friendly, serve their personal interests, difficult to gain access to, reliable, and treat all equally

## Social Capital

Social capital is measured by two variables. The first variable maps particularized versus generalized trust. Generalized trust means that trust is extended to strangers, while particularized trust denotes trust within families, between friends, and trust in people with whom one is familiar. The second variable denotes civic associationism based on membership in NGOs, clubs, trade unions, students' organizations, voluntary associations, community-based organizations, religious organizations, cultural organizations (drama societies, theatres, etc.) and sports clubs, etc.

The findings reveal that generalized trust is significantly higher in Nepal than in Bangladesh. While 23 % of Nepalese perceive that most people can be trusted, only 1 % of Bangladeshis indicate a similar position. Similarly, Nepalese are more organized than Bangladeshis, as many Nepalese (56 % vs. 28 %) are members of one or more of the types of organizations listed above.

## Quality of Government

Quality of government is measured by three independent variables. The first variable assesses the quality of public services such as educational institutions, health care, road maintenance, law and order, etc. The second variable maps citizens' perceptions about the extent to which the government has managed to address certain issues of national concern, sometimes referred to as 'wicked' problems such as unemployment, poverty, crime, human trafficking, etc. The third variable—trustworthiness of civil servants—is measured by an index variable that is based on the extent to which citizens agree that civil servants are prompt and efficient, less corrupt, impartial, friendly and helpful, and serve the interest of citizens.

The findings reveal that Nepalese are somewhat more negative towards civil servants than are Bangladeshis. The Bangladeshis assess public services somewhat more positively than the Nepalese do, and they also assess that their government has succeeded in addressing some wicked problems more than is the case in Nepal. Yet the differences are rather insignificant. In terms of trustworthiness, both Bangladeshis and Nepalese assess that civil servants are less trustworthy, that is, they are somewhat corrupt, serve their own interests, are less prompt and efficient, and so on.

In the final phase of our analysis, we ran a series of regression analyses to explore the relationships between the dependent variable and the independent variables for each of the two countries. Our regressions models are consistent with the "funnel of causality" logic, since we first entered the social capital variables and then the variables for quality of government (Newton and Norris 1999, p. 9). All significant variables are included in the same regression analysis.

## Regression Analysis

As stated, the dependent variable is citizens' trust in a number of public institutions. Also as noted above, we created an index to represent citizens' trust in general. Regression analyses are done country-wise.

### Bangladesh

Table 10.5 presents regression analyses for Bangladesh carried out in accordance with the groups of independent variables. All three models were run against the institutional trust index variable.

For the social capital variables (Model 1), the impact of generalized trust is not statistically significant, while frequency of membership in various associations suggests a significant correlation. The low variation in the generalized trust variable explains the lack of impact of this variable.

For the quality of government variables (Model 2), both the index of public services and the index of trustworthiness render significant results, suggesting support for hypotheses 2a and 2b. Yet the index of addressing wicked problems does not appear to produce significant results.

The combined model seems to explain quite a lot of the variation in institutional trust, i.e. 40% which indicates a good fit between our regression model and actual findings. The combined model also confirms the impression that quality of government variables are better predictors of institutional trust in Bangladesh. This is particularly so for the index of public services.

**Table 10.5** Regression analysis of social capital and quality of government variables on trust in public institutions in Bangladesh. Beta Coefficients

	Model 1	Model 2	Combined Model
<i>Social capital variables</i>			
Generalized-particularized trust	–		–
Associationism (no-yes)	0.22**		0.17**
<i>Quality of government variables</i>			
Index of public services (bad-good)		0.53**	0.53**
Index of addressing wicked problems (succeeded-did not succeed)		–	–
Index of trustworthiness (disagree-agree)		0.28**	0.24**
<i>Adjusted R<sup>2</sup></i>	0.05	0.38	0.40

Significant at 0.00\*\* level. Insignificant coefficients are not included

## Nepal

Table 10.6 presents regression analyses for Nepal. Here we see that none of the social capital variables (Model 1) seem to affect institutional trust. Regarding the quality of government variables, it appears that (as in Bangladesh) the index of public services as well as the index of trustworthiness is significantly associated with the dependent variable. Yet the variable of addressing wicked problems does not demonstrate such an association.

**Table 10.6** Regression analysis of social capital and quality of government variables on trust in public institutions in Nepal. Beta Coefficients

	Model 1	Model 2	Combined Model
<i>Social capital variables</i>			
Generalized-particularized trust	–		–
Associationism (no-yes)	–		–
<i>Quality of government</i>			
Index of public services (bad-good)		0.25**	0.25**
Index of addressing wicked problems (succeeded-did not succeed)		–	–
Index of trustworthiness (disagree-agree)		0.24**	0.24**
<i>Adjusted R<sup>2</sup></i>	0.00	0.15	0.15

Significant at 0.00\*\* level. Insignificant coefficients are not included

If we compare Bangladesh and Nepal in terms of what explains citizens' trust in public institutions, it is mainly the quality of government variables that positively affect citizens' attitudes to public institutions. Having said this, the social capital variables, which were measured by generalized versus particularized trust, did not matter for the generation of trust in either Bangladesh or Nepal, while civil associationism was found to be effective in the case of Bangladesh. This finding confirms that the quality of government hypothesis as argued by Rothstein and Teorell (2008) holds for this analysis as well. In the context of transitional societies such as Bangladesh and Nepal, good governance matters for gaining trust. Good governance refers to trustworthy civil servants and to government institutions actively engaged in providing quality services.

## Conclusion

Despite the explosive growth of trust research in recent years, trust is still under researched in the context of South Asia and particularly in Bangladesh and in Nepal. This study contributes to filling this gap in research. It aimed to explain the causes

for citizens' trust in public institutions (institutional trust) in Bangladesh and Nepal. Two major hypotheses derived from trust research were tested. The first hypothesis was that the more social capital (defined as generalized social trust and civic associationism) there is in society, the higher would be the level of citizens' trust in public institutions. The alternative hypothesis was (in summary) that the quality of government is more important than social capital for generating trust in public institutions. Quality of government denotes how citizens evaluate public services and by whom and under what conditions these services are produced. Do all citizens gain access to all public services, or are the public services produced in a manner that excludes the majority of the population and serves only a few? The crux of this question concerns the trustworthiness of civil servants in terms of their efficiency, neutrality, friendliness, honesty, uncorrupt actions, and so forth. This is what ultimately matters for generating citizens' confidence in civil servants.

Our analysis of survey data from Nepal and Bangladesh reveals some interesting findings. First, our findings demonstrate that for both countries, quality of government variables are more important than social capital variables for explaining variations in institutional trust. With one exception (civic associationism in Bangladesh), social capital variables do not explain corresponding variations. From these observations we infer that the quality of government hypothesis is vindicated and that the social capital hypothesis is weakened. Yet in the case of Bangladesh, we must admit that the lack of variation in the generalized trust variable makes it difficult to draw any conclusion.

Second, when we compare the two countries, it is interesting to note the difference in strength of the correlation between institutional trust and the index of public services. In Bangladesh the value of the beta coefficient is significantly higher than in Nepal (0.53 versus 0.24 in the combined model). We interpret this to mean that the citizens of Bangladesh, more than the Nepalese, tend to let their institutional trust judgments depend upon how satisfied they are with public services. We do not at present have any good answer to why such a difference exists. It may suggest a difference of political culture, where Bangladeshis are more aware than the Nepalese of the role of state, and that they tend to have a clearer picture of how successful public policies are.

Third, another interesting difference that appears when we compare the two countries concerns the impact of civic associationism. While civic associationism has a significant impact on institutional trust in Bangladesh, such an impact fails to appear in Nepal. Again, we need to ask how should we interpret and explain this kind of variation. For instance, is it that associationism means different things in the two country contexts? Table 10.4, we recall, showed that membership in civic associations was twice as high in Nepal as in Bangladesh (56 versus 28% of respondents). This could suggest that we may compare membership in different types of organizations that may have different impacts on institutional trust.

Speaking more generally from the perspective of good governance and public policy, the main findings convey that policies that meet citizens' expectation and needs generate more trust. Citizens are constantly evaluating the performance of government on the basis of their own experiences and on the basis of the experiences



of others. What generates trust is better implementation of government policies. This assertion stands in contrast to the social capital thesis that trust in society generates more trust in public institutions.

Another implication may be that high or low confidence in public institutions may also affect social capital and generalized trust in society. Citizens who trust government institutions tend to be positive to others in society. A more positive assessment of the government and its incumbents is likely to foster more generalized trust. If, however, institutions are perceived to be partial, unreliable, and corrupt, then this may make people cautious and skeptical of others in society. Citizens may take extra precautions when dealing with or entering into transactions with unfamiliar people. Poor governance may widen the gap between institutional performance and citizen linkage, thereby weakening generalized trust in society.

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# Chapter 11

## Constructing Co-Governance Between Government and Civil Society: An Institutional Approach to Collaboration

Yutaka Tsujinaka, Shakil Ahmed and Yohei Kobashi

### Introduction

This aim of this paper is to analyze how civil society organizations (CSOs) in developed and developing countries collaborate with governments through institutional processes. The concept of co-governance suggests that such collaboration can improve a government's effectiveness. The vertical structures employed by the state and the horizontal structures embraced by civil society are forging collaborative relationships. Scholars of natural resource management argue that co-management involving public, civic, and private actors is crucial in directing development (Vodden et al. 2005; Carlssona and Berkes 2005; Hayashi 2004). An equal partnership between civil society and government is important in making co-governance work. It is important to expand independent civil society to make government effective.

This paper is organized around three central arguments. First, it argues that institutional arrangements have a positive impact on collaboration in developed countries. Favourable administrative governance can create collaboration between governments and CSOs. To operationalize the argument, this paper sees governance from two dimensions: a behavioural dimension that includes collaboration, and an institutional dimension that includes government regulation of CSOs.

Second, this paper argues that hierarchical governance is too rigid to allow for collaboration with social groups. However, it is possible that with minimal supervision, administrative governance can engage in co-governance with civil society

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groups. To understand the state-society relation, this paper categorizes governance into four modes: hierarchical, administrative, societal, and self-governance.

Third, the publicness—that is, the quality of representing and working on behalf of the public<sup>1</sup>—of governments and CSOs creates the space for collaboration. By adopting Jan Kooiman’s (2003) theory on governance, we also argue that governments can aid CSOs through administrative governance.

In this introduction, we sketch the three arguments’ general features. In the following section, we define and contextualize the key concepts co-governance and governance, then briefly introduce categories for the modes of governance. We present an alternative model of co-governance by expanding on Kooiman’s existing theory of governance, after which we show how institutionalization and collaboration stand in relation to one another. In the given context, institutionalization means that a government regulates the CSOs using an institution, for instance a government agency. To prove the central claim of this paper, we describe the state of co-governance in a comparative mode, using empirical data from Tokyo, Seoul, Manila, and Dhaka. In the conclusion, we recapitulate issues like institutionalization and collaboration in the context of Japan, Korea, the Philippines, and Bangladesh.

## Defining Co-Governance: Governance and Its Modes

The definition of co-governance is related to the concept of governance per se. Governance is multifaceted and tends to encompass interactions with political society, civil society and the market. According to Jan Kooiman (2003, p. 97), “Co-governance means utilizing organized forms of interactions for governing purposes”. Civil society is becoming active in the public sphere and is forming alliances with the government. Said differently, governments are using civil society’s social networks to deliver on political commitments. This ‘consensual governance’ increases the level of collaboration between the state, the market and society. Kooiman’s definition of co-governance has the practical implication of conceiving of governance as ‘utilizing organized forms of interaction’. But this does not mean less government is good government; rather, it means that organized actors are included in the governance process. This paper defines co-governance as collaboration between the government and CSOs to fulfil societal commitments. This definition makes a connection between institutional arrangements with limited government involvement and collaboration with CSOs.

We have tried to translate this theoretical frame of co-governance empirically, as shown in Table 11.6. While the neo-liberal model of governance promotes the development agenda by pursuing economic goals, the definition of governance is not purely based on economic factors; it is also linked with normative behaviour. The World Bank defines governance as “the manner in which power is exercised in the management of

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<sup>1</sup> Although this definition of publicness is influenced by Jürgen Habermas, we do not discuss his theory of communicative action. We use the term to indicate that there are public services which should be performed by the government and/or CSOs.

a country's economic and social resources for development" (World Bank 1991, p. 1). This definition supposes that economic development involves the market and civil society. Kooiman also finds governance to extend beyond the domain of government in a strict sense. His definition promotes the role of normative values and makes the government, the market and civil society equally important. He defines governance as a "totality of interaction, in which public as well as private actors participate, aimed at solving societal problems or creating societal opportunities; attending to the institution as context for these governing interactions; and establishing a normative foundation for all those activities" (Kooiman 2003, p. 4). In Kooiman's definition, governance is a comprehensive process that involves social, political and market actors. The focus of this study will be limited to political and social actors, governments, and CSOs.

As intimated, government is not the only actor involved in creating effective governance; the market and social organizations are also catalysts. Yet the involvement of different actors in governing processes does not necessarily diminish their separate identities. Rather, they can be involved without compromising their autonomous status. In a society, parallel tracks of governing processes can exist, and the multiple paths can overlap and intersect in the pursuit of a common goal. However, before combining the governing process among political, social, and market actors, we need to understand the mode of governance in modern society.

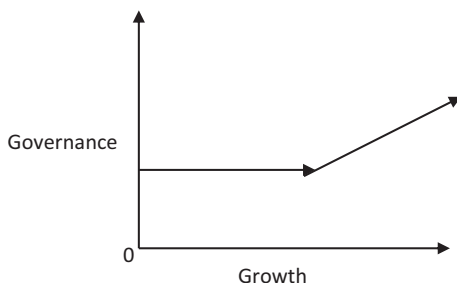
Kooiman (2003) distinguishes three categories of governance according to their processes. First, self-governance is a social process in which social groups can manage their own interactions by creating rules for their interaction. Self-governance allows for a high level of autonomy. This coincides with Elinor Ostrom's (1990) suggestion that new institutions, credible commitments and mutual monitoring are means for self-governance. Second, co-governance is a joint task that maintains separate systems of collaboration, co-operation and co-management. Third, hierarchical governance is a manifestation of the vertical or top-down mode of governance. It is embedded in interactions that are based on interventions. The bureaucratic model is a classic example of hierarchical governance.

## **An Alternative Model**

Kooiman emphasizes the many and mixed modes of governance, examples being hierarchical governance, co-governance, and self-governance, all in order to achieve societal governance. However, it is unclear how hierarchical governance can be a part of this collaborative process (Kooiman 2003, p. 10, 115–131). In this paper we offer another mode of governance—administrative governance—as a means of working with social groups. This form of governance is more flexible than hierarchical governance because a government can set up new agencies that can collaborate with CSOs through a minimum of regulations.

Collaboration is a behaviour whereby the interested actors work together to achieve a certain goal, and the institutional arrangement provides a set of rules to implement the goal. The combination of a collaborative approach and institutional arrangements enables co-governance to achieve societal goals. If the collaborative

**Fig. 11.1** Institutionalized and collaborative dimensions.  
(Source: Author's own work)



motive cannot be satisfied through existing institutions, new institutions can be created to achieve the goal. For example, if societal governance and administrative governance have difficulty collaborating within existing institutions, they can create new institutions such as NGOs to achieve their goals. In many developing countries, there is demand for the delivery of services that the government and market cannot provide. This failure inspires both social and state actors to create new institutions such as NGOs to meet the demand. The modes of governance introduced thus far can be mapped according to two dimensions: collaboration, and institutionalized arrangements, as seen in Fig. 11.1.

Societal governance is an area of administrative governance and self-governance in which the government, the family, and even the market can participate. It enables governments and CSOs to interact (Kooiman 2003). Kooiman, however, in his definition, includes the family only as an important ‘building block’ of societal governance; he does not see it as on the same level as CSOs. There is a separate area of self-governance for those who are uninterested in or left behind by administrative and societal governance. We can say that self-governing social groups are isolated from administrative governance. In this paper we focus less attention on self-governance, as our main concerns are collaborative and institutional processes.

## Methodology

In this paper we employ quantitative methods to investigate our central claims. We analyze the Japanese Interest Group Study (JIGS) conducted by Yutaka Tsujinaka, who has been conducting a global survey on CSOs since 1997 (outline in Table 11.1, below).<sup>2</sup>

We study 3944 CSOs on the basis of surveys with structured questionnaires conducted between 2004 and 2009 in Tokyo, Seoul, Manila, and Dhaka. These major Asian cities were selected on the basis of their developed or developing economic backgrounds. Tokyo and Seoul are classified as developed cities and Manila and

<sup>2</sup> This survey is part of a larger project called the Cross-national Survey on Civil Society, which conducted similar types of surveys in 15 countries: Japan, South Korea, The U.S.A., Germany, China, Turkey, Russia, the Philippines, Bangladesh, Brazil, Poland, Estonia, Uzbekistan India and Thailand. The generic name of the survey is Japanese Interest Group Study (JIGS). Only the survey data-set of Japan, South Korea, Bangladesh and the Philippines has been used in this study.

**Table 11.1** Outline of the JIGS survey: only data on Japan (2nd survey), South Korea (2nd survey), Bangladesh, and the Philippines are presented. (Source: Tsujinaka 2011)

Country	Year	Data Source/ Survey Method <sup>a</sup>	Population	Sample	Valid Response	Return Rate (%)	Region & Valid Return
Japan (2nd Survey)	2006– 2007	Telephone directory/ Posting	91,101	91,101	15,791	17.3	Nationwide Survey: Tokyo (1822) & rest (13,969)
South Korea (2nd Survey)	2008– 2009	Telephone directory/E- mail, Fax and Direct interview	112,917	29,422	1008	3.4	Seoul (262) & rest (746)
The Philippines	2004	Organiza- tional direc- tory/Direct interview	44,051	5172	1014	18.5	Manila (855) Cebu (159)
Bangladesh	2006– 2007	Telephone directory, Books/Direct interview	29,528	5915	1509	25.5	Dhaka (1005) Rajshahi (504)

<sup>a</sup> The researchers can use the different data sources in order to maximize the inclusiveness of CSOs in each country. A telephone directory is the basis of JIGS because they expect that every active CSO would set up a call centre. The JIGS research covers for-profit, non-profit, and citizen sectors comprehensively in Japan and Korea. However, in some of the countries included in the JIGS survey, there is no comprehensive telephone directory. This is the case for the Philippines and Bangladesh. JIGS therefore used government data sources instead or additionally

Dhaka as developing cities. Based on a comprehensive analysis of these surveys, we identify four types of governance involving government and civil society. These four types are quantified in terms of the collaboration and administrative regulations of the governments and CSOs.

Table 11.1 gives a delimited outline of the JIGS survey. It was conducted in the capital cities and other major cities in the four countries. In Japan, the survey was conducted nationwide, and the sample size is larger than in South Korea, the Philippines, and Bangladesh. For example, the sample size of the Japanese survey is 15,791, which is tenfold larger than that for Bangladesh. To ensure that our comparison is coherent, we have only included the capital cities of these four countries in our analysis presented in this paper. Central governments are located in capital cities such as Tokyo, Seoul, Manila and Dhaka. The primary business offices and headquarters of CSOs are also located in the capital cities. In this paper, we emphasize a factor analysis over correlation because correlation does not imply a specific causal direction.

We focus on a JIGS survey question which asks about an organization's relationship with a government: "Circle the statement that describes the relationship your organization has with the national or local government. Choose all that apply".<sup>3</sup> We

<sup>3</sup> As the survey was conducted in local languages in each county, the translations may differ.



**Table 11.2** Operationalization of two dimensions of governance. (Source: Japan Interest Group Survey (JIGS))

Dimension	Variables used from JIGS
Institutionalization	1. Accredited or approved by the government
	2. Licensed by the government
	3. Administrative guidance
Collaboration	4. Cooperative and supportive policies and budgets of government
	5. Exchanging opinions
	6. Partnerships to implement projects

use the responses to this question to create the variables shown in Table 11.2 below. Here we have selected six common statements from the options and categorized the relationship types according to the two dimensions of ‘institutionalized relationship’ or ‘collaborating relationship’.

In Table 11.2, institutionalization means that a CSO referred to one of the following: ‘accredited or approved by the government’, ‘licensed by the government’, or ‘administrative guidance’. Collaboration means that a CSO referred to at least one of the following: ‘cooperative and supportive policies and budgets of government’, ‘exchanging opinions’, and ‘partnerships to implement projects’.

Jan Kooiman’s concept of hierarchical governance is indeed structural, but it could also imply a normative connotation such as ‘steering and controlling’ behaviour on the part of a government. We understand it as an institutional arrangement that can be put into operation through accreditation, licensing, and guidelines. Collaboration can be measured by policy support, the exchange of opinions, and joint project implementation. Many CSOs distance themselves from the government and are not interested in collaboration with it. These fringe groups can become isolated. They can be unregistered, isolated, self-governing, and, most importantly, autonomous. In these ways, we measure the two dimensions of governance.

## Institutionalization

Every culture has institutions that are trusted in and inherited by the people (North et al. 2009). The institutions can also be new and operate within the already-existing cultural dimension of a society. In the modern world, interactive governance includes CSOs such as these, plus the government and other market actors. Kooiman describes such arrangements as governance by a combination of governing efforts (Kooiman et al. 2008). For this paper we have studied institutions using variables that depict the relationship between public administration and CSOs. As stated, an ‘institutionalized relationship’ means that a government regulates the CSOs using an institution. The government and CSOs need not share a common objective, and the relationship between them, however legal, may not be equal.

Table 11.3 provides us with information on the relationship between governments and societal actors, specifically CSOs. It reveals that there are more formal

**Table 11.3** Institutionalized relationships with CSOs: Dhaka, Tokyo, Seoul and Manila (%). (Source: Japan Interest Group Survey (JIGS))

Relation		Tokyo	Seoul	Manila	Dhaka
1.	Accredited or approved by government	61	41	71	82
2.	Licensed by government	55	31	51	70
3.	Administrative guidance	63	33	13	36
<i>N</i>		1803	262	798 <sup>a</sup>	751

<sup>a</sup> The *N* for ‘accredited or approved by the government’ is 798, but 797 for ‘licensed by the government’ and ‘administrative guidance’

relationships in Dhaka than in the other three cities. In Dhaka, 82% of CSOs are accredited or approved by the government. Conversely, CSOs in Seoul are the least affiliated with the government. The trend of Dhaka is toward greater institutionalization, and CSOs in Seoul tend to be more isolated from the government.

The institutional relationships are characterized by ‘rigid’ or ‘soft’ regulations. Regulatory regimes in which CSOs are accredited, approved, and licensed are rigidly rule-based. Conversely, administrative guidance has the latitude to regulate CSOs more flexibly. The percentages of CSOs that are accredited, approved, or licensed rather than guided are 12, 15, 74 and 57% in Tokyo, Seoul, Manila and Dhaka, respectively (Table 11.4). This implies that the governments in Manila and Dhaka tend to regulate CSOs through rigid regulation. By contrast, the governments in Tokyo and Seoul do not generally guide CSOs with rigid regulation. The corresponding percentages are 5, 3 and 1%. Rule-based regulation is typically accompanied by administrative guidance in all four cities.

## Institutionalization and Collaboration

Societal governance is collaborative in nature. Group decisions are instinctively collaborative and are better than individual decisions (Farazmand 2012). Here, a collaborative relationship means that a single task is jointly addressed by the government and CSOs. They work toward a single objective, and the relationship is expected to be based on equality. Table 11.5 quantifies the collaborative relationships between governments and CSOs according to their nature.

**Table 11.4** Rigid and soft regulations (%). (Source: Japan Interest Group Survey (JIGS))

Relation	Tokyo	Seoul	Manila	Dhaka
Rigid (“accredited or approved” or “licensed” without “administrative guidance”)	12	15	74	57
Soft (“administrative guidance” without “accredited or approved” or “licensed”)	5	4	3	1
Both (“administrative guidance” with “accredited or approved” and/or “licensed”)	58	29	11	35
<i>N</i>	1803	262	798	751

**Table 11.5** Nature of collaboration between government and CSOs (%). (Source: Japan Interest Group Survey (JIGS))

Collaboration		Tokyo	Seoul	Manila	Dhaka
4.	Cooperative and supportive policies and budgets of government	23	34	25	10
5.	Exchanging opinions	49	37	22	28
6.	Partnerships to implement projects	29	34	18	10
<i>N</i>		1803	262	798	751

A CSO can collaborate with a government in two ways: directly or indirectly. The collaboration variables in Table 11.5 regarding the exchange of opinions and the cooperative and supportive policies and budgets of government can be understood as indirect collaboration. A partnership to implement projects can be seen as direct collaboration. Tokyo displays more indirect collaboration (23 and 49%). Direct collaboration is the lowest (10%) in Dhaka. In general, Manila and Dhaka have less collaboration than Tokyo and Seoul.

We interpret the difference between the four cities from the perspective of simultaneous distribution of collaboration and institutionalization. Kooiman (2000, p. 142) suggests that an interactive relationship, which could be called ‘two-way traffic’, is essential in the concept of governance. Institutionalization without collaboration is an expression of ‘one-way traffic’ from those governing to those being governed. A high ratio of institutionalized and non-collaborative CSOs implies that a government dominates CSOs unilaterally.

We suggest that there are two ways to make the transition from this one-way traffic to two-way traffic. The first way is that CSOs acquire autonomy and form an equal partnership with a government. From this perspective, non-institutionalized CSOs are expected to be collaborative, since institutionalization is regarded as less autonomous.

However, we do not suppose that a relaxation of domination always promotes interaction. Collaboration also increases when a government deliberately tries to build systematic interaction with CSOs. In this case, institutionalization supports collaboration. While institutionalization might curtail the autonomy of CSOs to some extent, it gives them trust in their government and an opportunity to make contact with it.

Table 11.6 indicates the simultaneous distribution of collaboration and institutionalization.<sup>4</sup> Here there is an apparent contrast between the developing and developed countries. A ratio of institutionalized and non-collaborative CSOs is high in Manila and Dhaka (54 and 65%), and low in Tokyo and Seoul (29 and 12%). In Manila and Dhaka, higher levels of institutionalization do not lead to collaboration. The relationship between the government in Tokyo and CSOs is more institutionalized and collaborative (46%). In Seoul, institutionalization and collaboration are reported by 36% of CSOs. The numbers of institutionalized and collaborative CSOs are

<sup>4</sup> Institutionalization’ means that at least one of variable 1, 2 or 3 is yes, and ‘collaboration’ means that at least one of variable 4, 5 or 6 is yes.

lower than the numbers of institutionalized but non-collaborating ones in these cities. CSOs in Seoul have a score of 37%; these are non-institutionalized and they do not collaborate with government. This non-allied relation with the government does not, however, lead us to conclude that they are self-governed. Even self-governance requires institutional frameworks. The lack of collaboration on the part of civil society does not necessarily imply autonomy. In certain circumstances, the confrontational nature of civil society with institutions impedes collaboration. Civil society is then isolated from mainstream administrative and collaborative processes.

## Conditions for Collaboration

Table 11.6 implies that institutionalization has a positive effect on collaborative relationships in Tokyo and Seoul and a negative effect in Manila and Dhaka.<sup>5</sup> However, other social and political aspects would also affect these relationships. We

**Table 11.6** Combination of collaboration and institutionalization (%). (Source: Japan Interest Group Survey (JIGS))

Tokyo***		Institutionalization		
		Yes	No	Total
Collaboration	Yes	46	11	57
	No	29	14	43
	Total	75	25	100
Seoul***		Institutionalization		
		Yes	No	Total
Collaboration	Yes	36	15	51
	No	12	37	49
	Total	48	52	100
Manila***		Institutionalization		
		Yes	No	Total
Collaboration	Yes	34	10	44
	No	54	2	56
	Total	88	12	100
Dhaka***		Institutionalization		
		Yes	No	Total
Collaboration	Yes	28	4	32
	No	65	3	68
	Total	93	7	100

\*\*\* $p < 0.001$  (Test of independence). Each test of independence in this paper is a likelihood ratio test

<sup>5</sup> While 62 and 76% of institutionalized CSOs are collaborative in Tokyo and Seoul, only 38 and 30% of them are collaborative in Manila and Dhaka.

**Table 11.7** Variables significant for collaboration ( $p < 0.05$ )

City	Significant Variables (Unstandardized Coefficient)	
Tokyo	Positive	Licensed by the government (0.4), administrative guidance (0.5), Profit sector (1.0), non-profit sector (0.6), contacts with the ruling party (0.6)
	Negative	Accredited or approved (-0.2)
Seoul	Positive	Accredited or approved (1.0), administrative guidance (1.2), contacts with the ruling party (0.5)
Manila	Positive	Administrative guidance (1.3), non-profit sector (0.6), citizen sector (0.6), Area of activity (0.3), contacts with the ruling party (0.2)
	Negative	Accredited or approved (-0.6), licensed by the government (-0.8),
Dhaka	Positive	Administrative guidance (1.9), area of activity (0.4), contacts with the ruling party (0.4)
	Negative	Accredited or approved (-1.2)

\*\*\* $p < 0.001$  (Test of independence)

analyze a logistic regression model to examine the aspects of sectors, areas of activity, and the ruling party, with CSOs classified into for-profit, non-profit, citizen, and other sectors (based on Walker 1983).<sup>6</sup>

The model predicts the collaborative relationship. The explanatory variables are as follows: accredited or approved, licensed by the government, administrative guidance, sector of CSOs (profit, non-profit, citizen, and other), area of activity, and contacts with the ruling party. Two variables—area of activity, contacts with the ruling party—are measured on a five-point scale.<sup>7</sup> The other variables are binary (0 or 1) and the accuracy rate is 70%.<sup>8</sup>

Table 11.7 lists significant variables beyond the 95% confidence level in a two-tailed test in the model (the full information is presented in the Appendix). According to the model, institutionalization is statistically significant even when controlling for ‘sector’, ‘area of activity’, and ‘contacts with the ruling party’. Specifically, while the variables denoting whether the CSO is ‘accredited or approved’ and/or ‘licensed or legally regulated’ are negative in Manila and Dhaka, the variable for ‘administrative guidance’ is positive in all cities. We interpret this to mean that an asymmetrical, rule-based relationship prevents collaboration in Manila and Dhaka, even though ‘administrative guidance’ is beneficial in these cities. In contrast, all institutionalized relationships are positive in Seoul, although the variable of being

<sup>6</sup> Groups from the for-profit sector include agriculture, economic/business, and labour groups; non-profit sector groups include educational, government-related, welfare and professional organizations; citizen groups include NGOs, philanthropy, recreational or sports-related, religious, and cultural organizations.

<sup>7</sup> The values for ‘activity area’ are 0 (local), 1 (provisional), 2 (regional), 3 (national) and 4 (global). The values for ‘contacts with the ruling parties’ are 0 (never), 1 (sometimes), 2 (about half), 3 (most), 4 (always).

<sup>8</sup> The rates are 75.2% in Dhaka, 68.3% in Tokyo, 74.4% in Seoul, and 68.4% in Manila (all  $p$  values of the independence tests are below 0.1%).

‘licensed or legally regulated’ is not significant. This implies that institutionalized relations tend to develop two-way traffic in Seoul. In Tokyo, although the variable ‘accredited or approved’ is negatively significant, the coefficient is not high ( $-0.2$ ) and other relations are positive.

Table 11.7 also shows that the particular sector of CSOs is significant in Tokyo and Manila. In Tokyo, ‘profit sector’ is positively significant, and ‘sub-government’<sup>9</sup> for agriculture and industry in Japan (Muramatsu et al. 2001) may affect collaboration positively. In contrast, non-profit and citizen sectors are positively significant in Manila. NGOs are generally perceived as a ‘counterweight’ to the state, and some of them are extremely influential. A case in point is that the non-profit sector has worked with leftist movements against the Marcos and Estrada regimes (Quimpo 2008).

A CSO’s area of activity turns out to be highly significant in Manila and Dhaka. This result has two implications. First, the CSOs at the local level in these cities face difficulties in constructing collaborative relationships because of the weak local governments. Second, this result also implies that foreign organizations can have an impact. The national and international dimensions of their efforts have made Bangladeshi NGOs more culturally similar to foreign NGOs, or more prone to collaborate with them than with the bureaucracy (Jamil 1998). In our study, having contacts with the ruling party is significant in every city. Connections with the ruling party may therefore help CSOs establish collaborative relationships with the government.

## Conclusion

The aim of this study has been to understand how CSOs collaborate with governments through institutional processes. We find that collaborative and institutional processes vary across countries. In the collaborative and institutionalized dimensions of these processes (as stated, we improvise on Kooiman’s (2003) three modes of governance), we discern four distinct patterns: administrative, societal, hierarchical, and self-governing. The publicness of a CSO provides it with the opportunity to collaborate with the government. This interaction can be constructed through institutionalization. The two dimensions—institutionalization and collaboration—can be operationalized through interaction between civil society and government.

Our study shows that civil society in Tokyo has combined the collaborative and institutional processes to a greater extent than have the other three cities. Governance in Seoul is more polarized than in the other cities. In both Manila and Dhaka, CSOs have a high degree of institutionalized relationships with the government, but the collaboration is still low, to the point where the CSOs can be described as non-collaborative. From this we can infer that the absence of local government and the presence of political clientelism have made collaboration difficult in these cities. By contrast, collaborating CSOs in Tokyo and Seoul are present at both the local and national levels.

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<sup>9</sup> In Tokyo, ‘profit sector’ is positively significant, and ‘sub-government.

We need to move beyond the arithmetic and shed light on the question of why some countries are more successful at co-governance than others. Japan is considered a successful case of co-governance because it has intermediary institutions that bring the government and CSOs together. However, negative aspects can be discerned in some intermediary institutions in the Philippines and Bangladesh; we make due to mention political clientelism, which impedes collaboration.

First of all, institutions do not automatically develop with the creation of wealth. Rather, social processes and political decisions create institutions. Japan and Korea are both developed Asian countries, but the institutionalization of social groups differs between these countries. Korean CSOs are subject to politicization and are co-opted by the government (Kim 2009), whereas Japan has successfully developed local government institutions that have local authority over the tax system. In fact, these local governments act as intermediary institutions between the central government and the local people. Japanese local governments forge partnerships with the aid of social institutions such as the Neighbourhood Association to manage local affairs (Pekkanen 2006). Conversely, local governments in Korea were managed by the provincial governments from 1965 to 1995. In the Philippines and Bangladesh, despite constitutional provisions for autonomous local government, the central governments manage local affairs (Sidel 2004; Siddiqui 2008). In the absence of robust local governance, CSOs cannot participate in co-governance.

Second, if a government seeks to collaborate with social actors to achieve normative goals, it requires networks such as think-tanks, academics, social workers, and professional groups. A government can promote these networks as a means for developing cooperation between itself and the CSOs. This could provide two-way communication between the actors. CSOs can also deploy these networks as negotiators who can lobby the government. Governments and CSOs both can employ such networks in an institutionalized form. Yutaka Tsujinaka finds that Japanese ministries arrange meetings with intermediary groups to navigate and negotiate with social and business groups. Conversely, CSOs also lobby bureaucrats on behalf of policy change (Tsujinaka 2012). There is thus a danger of being trapped in an amakudari practice.<sup>10</sup> Nevertheless, collaboration between governments and CSOs is much broader than the narrowly focused amakudari, as various networks work as go-betweens to construct co-governance. These intermediary groups are catalysts of cooperation in Japan that are rarely found in Korea, the Philippines, or Bangladesh.

Third, political clientelism has different implications in Japan, Korea, the Philippines, and Bangladesh. Bangladesh's civil society is incorporated by the political parties, which employ the social network in a partisan manner. In the Philippines, oligarchs such as the land owner class and political dynasties hamper the ability of CSOs to be autonomous (Sidel 2004, pp. 3–5). In Korea, the relationship between the political parties and civil society is confrontational, and neither side makes regular attempts to calm this agitation and arrive at an

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<sup>10</sup> Amakudari is a Japanese word. The literary meaning is 'descent from heaven'. In the social science literature, amakudari refers to the costly transaction of institutional practices that allow retired bureaucrats to obtain higher positions in the corporate entities that they regulated during their public service careers.



agreement (Oh 2012). Political clientelism can operate as a bottleneck for co-operation because it encourages partisan actors. In Japan, meanwhile, the relationship between civil society and the political parties is based on decisions that promote ‘pork barrel’ agreements (Fukui and Fukai 1996). This is a rational arrangement between the principal and agent that promotes a mutually beneficial outcome.

Constructing political institutions may not require a long process, but their maintenance is crucial for improving governance. CSOs can demand these institutions and then become part of the process of their evolution, but CSOs cannot create public institutions. Once the public institutions are created, CSOs can participate in the governance process in the form of co-governance. In developing countries, despite effective intermediary institutions, CSOs continue to expand their publicness in a unilateral manner (Table 11.8 and 11.9).

## Appendix

**Table 11.8** Logistic regression model: estimating collaboration<sup>a,b</sup>

Parameter	B	Std. Error	Hypothesis Test		
			Wald Chi-Square	Sig.	
(Intercept)	-2.06	0.98	4.41	0.036	*
Tokyo	1.18	1.00	1.38	0.239	
Seoul	0.74	1.11	0.44	0.506	
Manila	1.77	1.01	3.11	0.078	
Dhaka (Constant)	0.00				
Accredited or approved (Tokyo)	-0.24	0.14	2.76	0.096	
Accredited or approved (Seoul)	1.01	0.47	4.58	0.032	*
Accredited or approved (Manila)	-0.64	0.17	13.48	0.000	***
Accredited or approved (Dhaka)	-1.23	0.25	24.68	0.000	***
Licensed by the government (Tokyo)	0.41	0.14	8.38	0.004	**
Licensed by the government (Seoul)	0.61	0.61	1.01	0.314	
Licensed by the government (Manila)	-0.80	0.16	25.05	0.000	***
Licensed by the government (Dhaka)	0.08	0.22	0.12	0.732	
Admin guidance (Tokyo)	0.45	0.15	8.77	0.003	**
Admin guidance (Seoul)	1.27	0.58	4.81	0.028	*
Admin guidance (Manila)	1.31	0.25	28.06	0.000	***

**Table 11.8** (continued)

Parameter	B	Std. Error	Hypothesis Test		
			Wald Chi-Square	Sig.	
Admin guidance (Dhaka)	1.87	0.21	77.89	0.000	***
Profit sector (Tokyo)	1.02	0.18	33.66	0.000	***
Profit sector (Seoul)	0.63	0.67	0.89	0.345	
Profit sector (Manila)	0.35	0.40	0.79	0.374	
Profit sector (Dhaka)	0.63	0.96	0.43	0.512	
Non-profit sector (Tokyo)	0.57	0.19	9.59	0.002	**
Non-profit sector (Seoul)	0.75	0.59	1.61	0.205	
Non-profit sector (Manila)	0.56	0.24	5.36	0.021	*
Non-profit sector (Dhaka)	0.91	0.96	0.90	0.343	
Citizen sector (Tokyo)	-0.08	0.19	0.16	0.689	
Citizen sector (Seoul)	0.23	0.51	0.21	0.650	
Citizen sector (Manila)	0.60	0.19	9.90	0.002	**
Citizen sector (Dhaka)	0.49	0.96	0.27	0.605	
Area of activity (Tokyo)	0.00	0.04	0.00	0.956	
Area of activity (Seoul)	0.00	0.12	0.00	0.978	
Area of activity (Manila)	0.31	0.07	20.44	0.000	***
Area of activity (Dhaka)	0.41	0.08	28.83	0.000	***
Contacts with the ruling party (Tokyo)	0.58	0.06	91.96	0.000	***
Contacts with the ruling party (Seoul)	0.48	0.17	8.37	0.004	**
Contacts with the ruling party (Manila)	0.23	0.08	7.30	0.007	***
Contact with the ruling party (Dhaka)	0.42	0.10	16.48	0.000	***

\*\*\* $p < 0.001$ ; \*\* $p < 0.01$ ; \* $p < 0.05$

<sup>a</sup> N=3245 (Dhaka: 705, Tokyo: 1,593, Seoul: 180, and Manila: 767)

<sup>b</sup> Likelihood Ratio Chi-Square: 768.43,  $df = 35$ ,  $p < 0.001$

**Table 11.9** Accuracy of the logistic regression model (predicting collaboration)

***			Predicated value		Total
			Yes	No	
Actual value	Yes	Count	1109	494	1603
		%	34.2%	15.2%	49.4%
	No	Count	475	1167	1642
		%	14.6%	36.0%	50.6%
	Total	Count	1584	1661	3245
		%	48.8%	51.2%	100.0%

\*\*\* $p < 0.001$  (Test of independence)

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# Chapter 12

## The Reform of Public Service Units in China: A Decentralization Approach

Mei Li

### Introduction

Public Service Units (PSUs) are government-run, non-enterprise organizations that deliver public services to citizens. They are the third target in the transformation of China's system of governance, after state-owned enterprises and administrative organs. Although the restructuring of PSUs has been carried out since the mid-1980s, efforts have faltered. This chapter presents an overview of the various rounds of PSU reform. It examines factors that influence the process of decentralization and points out major challenges that must be addressed in order for the Chinese government to continue decentralizing PSUs for better public service provision.

### Public Service Units—A Legacy of China's Planned Economy

The Public Service Unit (PSU), or *Shi Ye Dan Wei* in Chinese, arose as a unique organizational form rooted in the era of planned economy in China. After the founding of the People's Republic of China in 1949, the communist government created the concept of *Shi Ye* (Zuo 2009) as a parallel to *Qi Ye*—enterprises-like factories and businesses that produced and sold private and public goods. The new concept, *Shi Ye*, denoted organizations that did not participate in the manufacture and distribution of goods, but were engaged instead in providing services such as education, healthcare, sports, science, and so forth. *Dan Wei* means work unit. Hence *Shi Ye Dan Wei* initially referred to state-owned non-enterprise (i.e., not-for-profit) organizations that delivered public services.

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In the planned economy era, the Chinese government owned and made plans for both the enterprises and the PSUs (Yue 2008): the former manufactured goods, and the latter delivered public services. The state controlled society through government organs and its affiliated state-owned enterprises and PSUs, in the hope that such mechanisms could meet people's demands and needs in every respect.

In the late 1970s, China launched economic reforms geared towards creating a market-oriented economy. Private enterprises that had not existed in the planned economy era emerged and grew rapidly, while a great number of State-Owned Enterprises (SOEs) were eventually turned into independent market participants, their affiliation to government being dissolved. Unlike SOEs, the PSUs and the government-steering model of public service delivery have mostly retained their old structure. PSUs therefore constitute a large sector still closely affiliated with the government. There have, however, even as early as in the mid-1980s, been efforts to reform the PSUs.

As of 2002, China's more than 1.3 million PSUs had a labor force of almost 30 million employees (Jiang and Kuang 2005; Li 2009; Wang 2010). This large and diverse sector accounts for 41 % of China's public-sector employment and 4 % of the total labor force (Fan 2004). Most PSU employees are engaged in education (50 %), health (15 %), culture (4 %), and science (2.4 %) (Wang 2010). About 60 % of well-educated professionals and skilled workers are employed in PSUs, and two-thirds of non-profitable state assets and one-third of regular expenditures of the overall budget at all government levels are poured into them (World Bank 2005). PSUs consequently make up one of China's largest sectors, along with enterprises and businesses.

## **Pressure to Reform PSUs**

Since commencing on its new path of development in the late 1970s, China has undergone crucial transformation, adapting institutions and the functioning of the state to an increasingly market-oriented economy. The SOEs and administrative organs were the first major targets in the transformation towards greater efficiency and effectiveness, so it was not until the mid-1980s that the same reform goals were extended to the PSUs. The pressure to reform them comes not only from society (outer pressure) but also from within the political system (inner pressure).

### ***Outer Pressure***

Supervening on economic reform and the policy of opening up to the rest of the world, the Chinese government has had to deal with a rapidly growing market and an 'awakening' of society. Citizens are now demanding more and better public

services. The government-steering model of public service delivery that was rooted in the planned economy is incapable of responding adequately to such demands. The basic services provided by PSUs have been generally limited and insufficient in both quantity and quality (Ge 2003).

Furthermore, since PSUs were only expected to strictly follow government plans, they had no incentives to improve their efficiency or effectiveness (Fan 2004; Jiang and Kuang 2005). The monopolized system meant that little attention was paid to improving the quality of services or to expand service delivery (Zhang 2006), despite rapidly growing demands from the market and citizens. Societal needs thus have propelled the government to reconsider its strategy and system of public service provision by reforming the PSUs.

### *Inner Pressure*

In addition to outer pressure from the market and society for better public service delivery, the Chinese government has an inner impetus for implementing change. PSUs are, as stated, a large sector with almost 30 million employees. They rely on government funding, therefore account for a large chunk of the public budget. In addition, PSUs are often overstaffed, to the point where they appear increasingly as places that first and foremost provide jobs rather than public service (Gao 2007; Jing and Zhu 2012). A lack of cooperation and collaboration amongst PSUs is another problem. PSUs are affiliated with different government ministries at different levels (Sun 2003; Li 2009), and they abide by the plans and orders of those ministries. This sometimes results in overlapping functions and redundancy in the construction of public facilities and service provision. Needless to say, there is huge waste. Since the Chinese government is trying to cut budgets and downsize administrative departments for better performance, it is only to be expected that the PSUs have become the next target for reform. Budget pressure and institutional inefficiency are thus inner driving forces for reforming the PSUs.

In spite of the outer and inner pressure to reform the PSUs by changing the government-steering model of public service provision, the old model does have some advantages. Scholars have argued that PSUs once provided Chinese citizens with basic public service in considerable equity. The rural medical system is a good example. As early as the 1950s and 1960s, China's rural medical system covered almost the entire rural population (Yue 2008). The infant mortality rate was reduced from about 200 deaths per 1000 live births in 1949 to 47 per 1000 in 1974, while life expectancy increased from 35 to approximately 65 years (Liu et al. 1995). Similar results were achieved in the education sector: before 1949, the literacy rate was at 20% and school enrolment was somewhere between 20–40%; by the 1970s the literacy rate increased to 69%, and nearly all children were receiving primary education (Hannum and Park 2003). The centralized model for government-steering guaranteed at least the delivery of basic public services.

## ***The General Goal of Detaching PSUs from the Government***

PSUs are so closely affiliated with the government in so many ways that they have become part of the administration rather than independent organizations with the goal of delivering public services of a certain quantity and quality. They lack incentives to improve in any way because their affiliation with the government provides comfortable benefits such as a secure budget and a monopoly on service provision. How can the PSUs be invigorated? The central government has responded with a decentralizing approach, one which it is hoped will lead to the PSUs eventually becoming independent organizations that deliver more efficient, better public services.

### **Research Objective, Method, and Theory**

The objective of this chapter is to describe different rounds of PSU reform since the mid-1980s, examining how power, authority, responsibilities, and resources have been transferred from the central to the local level, and the results achieved in the different rounds. It also discusses factors that have made an impact on the ongoing reform process, as well as challenges with which the reformers must deal.

The chapter is heavily based on a review of primary literature that includes government documents, journals, books, research reports, and newspapers. Secondary data is drawn from documents, papers, and reports. Relevant literature has also been collected through Internet browsing.

### **Decentralization Theory As an Approach to Understanding PSU Reform**

I use theories of decentralization to analyze PSU reform, arguing not only that China has adopted decentralization as a strategy for detaching PSUs from the government, but that this detachment is the overall goal of the reform process.

Decentralization is defined by various scholars and organizations such as the United Nations Development Program (UNDP 1997) and the World Bank (WB Decentralization Thematic Team online resource). It can mean, firstly, that the central government transfers its authority and responsibility for public functions to intermediate and local government, to quasi-independent government organizations, and/or to the private sector (UNDP 1997). Secondly, decentralization can mean the central government's transfer of responsibility for planning, management, and the raising and allocation of resources to any of the following: field units of government agencies, subordinate units or levels of government, semi-autonomous public authorities or corporations, area-wide regional or functional authorities, non-governmental organizations, and voluntary organizations (Rondinelli and Nellis 1986).



Thirdly, decentralization has been defined as a system of co-responsibility between institutions of governance at the central, regional, and local levels, all of which cleave to the principle of subsidiarity to increase the overall quality and effectiveness of the system of governance (UNDP 1997).

The World Bank identifies four categories of decentralization: political, administrative, market, and fiscal (WB Decentralization Thematic Team online resource). A key claim which will be elucidated in the following pages is that administrative decentralization, supplemented with market decentralization, are mainly employed in China's PSU reform process.

Through administrative decentralization, the reformers seek to redistribute authority, responsibility, and financial resources for providing public services. The primary goal is to transfer power and authority from the central government to local or sub-national units of the government, all with the purpose of meeting the demands of people at the grassroots level. In transferring this power, it should simultaneously be possible to ensure that an organization or partnership fulfils its overall purpose, achieves its intended outcomes for citizens and service users, and operates in an effective, efficient, and ethical manner. Other goals include providing good quality services and achieving value for money. Administrative decentralization is by far the most common and accepted form of decentralization as far as development is concerned (Cohen and Peterson 1999).

In terms of public service delivery, administrative decentralization has several advantages. Firstly, it brings services closer to people at the grassroots level, giving them more opportunities to participate actively in decision-making process that concern their local policies and activities. Secondly, the services are delivered more speedily than would be the case if they were administered centrally. Thirdly, the services become more responsive to, and are tailored for, the different needs of different localities. Accordingly, large bureaucracy at the central level can often be reduced, and limited public resources can be more efficiently and effectively utilized. This is why China has adopted administrative decentralization as a main approach to PSU reform.

Market decentralization has also subsequently been adopted by the Chinese reformers. In the forms of privatization and deregulation, market decentralization allows functions that have been primarily or exclusively the responsibility of government to be carried out by businesses, community groups, cooperatives, private voluntary associations, and other non-governmental organizations.

Decentralization, however, also has disadvantages (World Bank 2005). It may not always be efficient, especially for standardized, routine, network-based services. It may lead to the central government losing control over scarce financial resources. If there is weak administrative or technical capacity at local levels, the services will be delivered less efficiently and less effectively. If financial resources are inadequate, the transfer of administrative responsibilities to local levels may make the equitable distribution or provision of services more difficult. A more complex system of coordinating national policies might then be needed, where functions will most likely be controlled by the local elite. This in turn can generate distrust

between the public and private sectors and may undermine cooperation at the local level. The final section of this chapter shows that such disadvantages do to some extent plague the Chinese PSU reforms.

## **PSU Reform**

The document called the *Decision on Reforming the System of Science and Technology* (issued in 1985 by the central government) represents the outset of the PSU reform process, which started in the scientific research sector. It is argued here that the reform is consistent with the central reformers' approach to decentralization. It is thus first of all crucial to understand the close ties between PSUs and government bodies.

## **PSUs' Close Ties to Government**

### *Ties Between the Supervisor and the Supervised*

PSUs have independent legal status. They are defined as institutional (juridical) legal persons by the *General Principles of the Civil Law* [passed by the National People's Congress (NPC) in 1986]. This law protects the civil rights and interests of citizens and legal persons and adjusts civil relations such as property relations and personal relations between civil subjects with equal status (that is, between citizens, between legal persons, and between citizens and legal persons). There are three additional types of legal persons: enterprises, official organs, and social organizations (Yue 2008). PSUs differ from social organizations in that they are owned and operated by the state. As such, their independent legal status is nominal; in reality, they are closely tied to the government. After being established and staffed by the administrative organ called the Office for Posts and Establishments (OPE), they are run by a five-level administrative system consisting of supervisory and non-supervisory agencies. The five levels of administration are the central, provincial, regional, county, and township governments.

It is possible to discern three main ways in which the ties between the PSUs and the government come to expression. Firstly, government departments act as supervisory agencies for different PSUs, and it is only with these departments' permission and support that the PSUs can register at OPEs and exist with official approval and legal status. At the central level, the State Council is the general government agency, with subordinate agencies such as the Ministry of Health, Ministry of Finance, and so forth. A number of PSUs are supervised directly by the State Council or a certain ministry and registered at the central OPE (also called the State Commission Office for Public Sector Reform, SCOPSR). The PSUs at each local

level—that is, the provincial, regional, county, and township levels—are affiliated with their respective government departments and registered at local OPEs.

Supervisory agencies hold the power to appoint PSU managers, to review PSU financial plans, and to oversee their activities and programs in order to make sure they follow national general plans. In comparison to SOE managers, PSU managers do not have as much power to run their organizations independently; they are more strictly and rigidly supervised by government agencies (Zhao and Wu 2008).

Secondly, non-supervisory government departments also influence the operation of PSUs. For instance, Yunnan University, as well as being supervised by the provincial branch of the Ministry of Education, is also to some extent controlled by the provincial Ministry of Finance. It is this latter political organ that, in consultation with the PSUs' supervisory agencies, determines the financial resources allocated to the university (You et al. 2008).

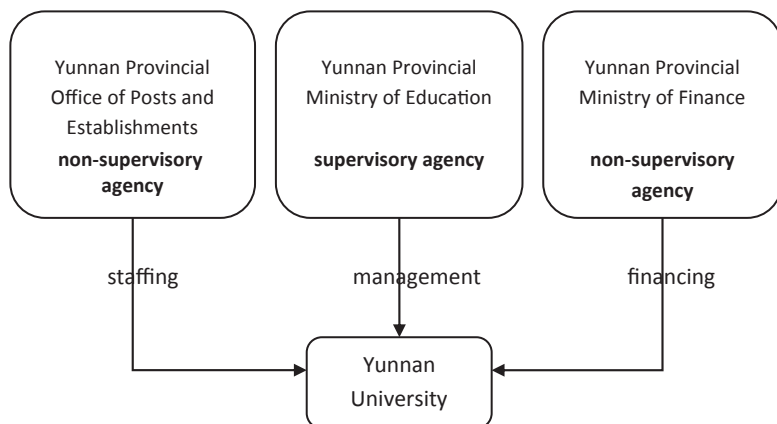
Public funds and service fees are two major sources of PSU funding. In 2002, budget allocations accounted for 47.6% of the total funding of PSUs, and service revenues accounted for 48.2%. PSUs at the central and provincial levels tend to raise more of their own funding through service charges, while PSUs at the county and township levels rely more on budget allocations (World Bank 2005). PSUs follow special rules for accounting and financial management that are set up by the Ministry of Finance. They are supposed to deliver their audited financial statements to this ministry's bureau at the same-level of government to which they themselves are affiliated.

Thirdly, the establishment of PSUs is controlled by OPEs situated at different hierarchical levels. An OPE is a planning and decision-making organ that decides how many staff members a certain PSU can and should hire. Each PSU has a post quota, and a post must be vacant in order for a PSU to recruit a new employee. Recruits must be approved by both the OPEs and their supervisory agencies.

The case of Yunnan University in Yunnan Province can function as an illustration of an education PSU and its relations to different government agencies. Yunnan Provincial Ministry of Education is the supervisory agency of Yunnan University, the provincial Ministry of Finance decides on how much funding the university will receive, and the OPE decides on the staffing of the university (Fig. 12.1).

### ***Similar Internal Structure and Operation As Government Agencies***

Apart from the supervisor-supervised ties, PSUs follow the pattern of bureaucratic government agencies in their internal structure and operation. Each PSU has two managerial sections: the Communist Party of China (CPC) committee, and the administration. The CPC secretary and the chief executive have their respective responsibilities: the CPC secretary represents the necessary control of the CPC over the administration and thus nominally shoulders the primary responsibility; the administrative chief is subordinate to the CPC committee and is responsible for running the daily business of the PSU. Theoretically speaking, the CPC secretary



**Fig. 12.1** Yunnan University and its relations to government

exercises more influence over the PSU, but practically speaking, it is not unusual for the chief executive to in fact be more influential, partly because the purpose for which the PSU is set up in the first place requires professional skills and service delivery. Furthermore, because the administrative chief is usually a professional or expert in the respective field, he or she will exercise more professional influence and authority.

### Three Rounds of Decentralization

Since 1985, the PSUs have undergone three rounds of reform, each time with a different objective. All three rounds reflect the government's efforts towards decentralization.

#### *1985–1992: The Establishment of the Chief Executive Responsibility System*

In the first round of reform, the initial objective was to turn PSUs into organizations that were more independent from government. A symbolic manifestation was the establishment of a so-called chief executive responsibility system. PSU executives were now entitled to manage their organizations—something they had been unable to do before. They have since enjoyed the power to determine the institutional structure, to hire staff, allocate resources and so forth. They are also held accountable for their decisions. Analyzing this round of the reform process, it is possible to see influence from decentralization literature.

For example, as stated earlier, the World Bank (WB Decentralization Thematic Team online resource) defines decentralization as the transference of authority and responsibility for public functions from the central government to intermediate and local government and quasi-independent government organizations and/or the private sector. In the first round of PSU reform, authority and responsibility were transferred directly to the heads of PSUs, to empower them in decision making and in managing their organizations. This took place in PSUs at all levels, from central to local, but the transference did not exactly accord with the World Bank definition; instead, it resembled the view of Rondinelli and Nellis (1986), who define decentralization as the transfer of responsibility for planning, management, and the raising and allocation of resources from the central government and its agencies to field units of government agencies, subordinate units or levels of government, semi-autonomous public authorities or corporations, area-wide regional or functional authorities, or non-governmental private or voluntary organizations.

The outcome of the first round of PSU reform was that chief PSU executives gained incentives, or were invigorated, to work harder and manage their organizations more independently and efficiently. This system of co-responsibility—between institutions of governance at the central, regional and local levels (their relationships follow the principle of subsidiarity)—made it possible to increase the overall quality and effectiveness of the PSUs (UNDP 1997). The shift in responsibility also put more pressure on the executives to improve the performance of their organizations. This supports Basta's (1998) argument that decentralization increases the efficiency and quality of services through the delegation of responsibility. Furthermore, PSU chief executives gained the flexibility and freedom to plan and thus to respond quickly to demands posed by citizens and the market. This accords with Osborne and Gaebler's (1992) thesis that decentralization helps institutions to be far more flexible so that they can respond quickly to changing circumstances and customers' needs; it enables them to generate higher morale, more commitment, and greater productivity.

### ***1993–2001: Market-based Service Charges and Competition with Non-PSU Service Providers***

The objective of the round of reform which was implemented in 1993 was worded as being “to separate PSUs from the government and transform them into social organizations” instead of government affiliates. This wording is found in the *Scheme for Institutional Reform of Party and Administrative Organs* by the CCCPC, and also in a number of later documents published by the State Council. A key theme was repeated: PSUs could no longer rely solely on the government for funding, but had to learn to survive as independent entities in delivering public service.

One icon of this second round of decentralization was to give the PSUs permission to charge a market-based service charge, one which could allow them to cover the cost of services rendered as well as to pay staff salaries, overhead costs, and so forth. Allowing PSUs to charge for their services also entailed giving them greater

decision-making power. More specifically, government agencies at all levels were required to relinquish their power of direct management over the PSUs. The PSUs consequently acquired more opportunity for self-management and decision making, and they could set service fees at levels that were both competitive and based on market needs.

These changes represent *delegation*. This is a major form of administrative decentralization (along with de-concentration and devolution), through which a government transfers responsibility for decision making and the administration of public functions to organizations not wholly controlled by the government (but ultimately accountable to it) (WB Decentralization Thematic Team, online resource).

Another striking aspect of decentralization in this second round was that cooperatives, enterprises, individual citizens, and all other social forces were encouraged to join in the endeavor of providing public services that could meet the country's economic and social needs. This clarifies all the more that the second round was not simply a strategy of administrative decentralization but also one of market decentralization in public service delivery. The government shifted responsibility for functions from the public to the private sector. This mostly took the form of privatization: contracts were awarded to commercial enterprises for the provision or management of public services or facilities. Deregulation reduced the legal constraints on private participation in service provision, allowing competition amongst private suppliers for services that in the past had been provided by the government. The Chinese government's privatization of some PSUs has therefore aptly been referred to as "propelling PSUs into the market".

Although market decentralization did rejuvenate the public services and create a blossoming industry, some disadvantages of decentralization also emerged. Quite a few PSUs deviated from their not-for-profit mission and became very profitable through charging for their services. The inequality of public service delivery between urban and rural areas and between different regions was aggravated, particularly because when the government transferred administrative responsibilities to local levels, it did not provide the local-level PSUs with adequate financial resources. This made the equitable provision of services more difficult. Some basic public services were over-privatized to such an extent that the goal of equity was almost abandoned. The loss of central support and control created a vacuum: service delivery in many cases became less efficient and less effective due to weak administrative or technical capacity at the local levels.

These consequences are described by the World Bank (2005) as disadvantages of decentralization, and they loomed large in the second round of Chinese PSU reform. The decentralization strategy needed to be modified.

### ***2002–2011: Curbing Over-Privatization and Reemphasizing Equity in Basic Public Service Provision***

Market decentralization continued until 2002. In the third round, the government had to deal with both the advantages and disadvantages of delegation, privatization,

and deregulation (the forms of administrative and market decentralization) and sought an appropriate balance between the goals of efficiency, effectiveness, and the equitable provision of basic public services.

To understand the reform trajectory, educational PSUs can serve as an example (Table 12.1). In the first round of reform (1985–1992), the central government implemented a 9-year compulsory education service from elementary to junior high school, for which various local government levels were responsible. The junior high schools were also encouraged to develop extensive vocational education programs. PSUs such as universities and colleges were given more power to decide on key issues like student recruitment and graduate placement, a move which stood in stark contrast to the planned economy era, when university graduates were simply assigned jobs by the government.

**Table 12.1** Educational PSUs in the three rounds of reform

Time	Decentralization	Schemes	Outputs
<i>1985–1992</i>	Administrative decentralization	Power from central to local government, and from government to PSUs	Local government responsible for 9-year compulsory education service
			Local government encouraged to develop vocational education service
			Universities given more power to decide on student recruitment, etc
<i>1993–2001</i>	Administrative and market decentralization	Joint effort by government, PSUs and non-PSUs in providing education services	Government, PSUs, non-PSU organizations co-provide non-compulsory education service
			School and uni heads given more power to manage organizations
			Two level (central-provincial) government supervision of universities
<i>2002–2011</i>	Administrative decentralization with some power reclaimed, and continued market decentralization	Power from township to county government, and strengthened central funding to local students	County government reclaims responsibility for basic education service from township government
			Rural students and schools obtain funding from central government
			Poor rural students obtain stipends from central government
			Privatized education service continues



In the second round (1993–2001), a trend of delegation, privatization and de-regulation prevailed in order to increase the quantity of public services. Education was jointly provided by the government, PSUs and non-PSU organizations. Compulsory education from the first through ninth grade was financed mainly by the government, whereas the cost of non-compulsory education was shared by the government, PSUs, and other social entities. School rectors and university heads were awarded greater independence to manage their organizations, and higher education, rather than being solely regulated by the central government, came under two-level supervision by the central and provincial government. Thus, within the education sector, the delegation of responsibility—from central to local government, from government to PSUs, and from state to society—continued with great strides.

Decentralization, particularly in basic education, was somewhat suspended in 2002 (Sun 2003). In the third round of reform, all rural elementary and middle schools reverted to being centrally managed by the county governments (they had, since the implementation of round two, been under the jurisdiction of the township governments). The county governments then restructured the urban and rural schools by setting up standards of various types, also for teachers' salaries. According to the State Council, students from first through ninth grade who attend rural schools have, since 2006, gradually begun to enjoy free education. The central government also claims that these schools are now given a guaranteed budget for covering the cost of personnel, facility maintenance, overhead costs, and so on (Wang 2010). Poor rural students have the opportunity to obtain free textbooks and living stipends from the central government. This goes to show that the equity of basic public-service provision has been a major theme of the third round of PSU reform, while the full or partial privatization of some PSUs—those capable of surviving in a competitive market—continues.

## Yet Another Round of Reform

In March 2011, the CCCPC and the State Council jointly promulgated a document which, in translation, could be called the *Supervisory Opinion on Propelling the PSU Reform by Classifying PSUs*. This signals yet another round of reforms with new objectives. There are three steps in this round: firstly, PSUs are to be restructured and reshuffled based on their functions and responsibilities, workloads and the like; secondly, all PSUs are to be classified into three categories according to their social functions—administrative organ, enterprise, and public service organization (PSO); thirdly, PSOs are to be specifically classified into two types—I and II—according to their obligations, customers, and resources. A PSO I provides basic public services which cannot be provided by the private sector or a PSO II; a PSO II provides other public services that can also partially be provided by private sector organizations.

Even in this round, decentralization remains the Chinese government's approach to reforming PSUs. Just as in the third round, so also in this new round: all three goals



of efficiency, effectiveness, and equity are equally emphasized. In the first and second rounds, only efficiency and effectiveness were set as goals. In this new round, the central government seeks to set up an efficient, effective, and equitable public service system with Chinese characteristics. A target date of 2020 has been set.

These four rounds of reform constitute an unprecedented decentralization process aimed towards achieving good governance in China. Decentralization is considered one of the essential institutional reform strategies pursued in developing countries: it is said to bring about numerous improvements, to contribute to further democratization, more efficient public administration, more effective development, and eventually to good governance.

## Factors Impacting the Reform of PSUs

The Chinese government initiated PSU reforms due to outer demands from the market and society for more and better public services, and due to inner budgetary pressure and institutional inefficiency. The government understands the importance of transferring power, responsibility, and resources from the central to the local levels, and from government agencies to the PSUs that actually deliver public services. The reform schemes in the last 30 years show strong evidence of decentralization. The goals which the reforms have been designed to accomplish also align with those of decentralization, for instance providing good quality services and achieving value for money. Investigating factors affecting decentralization therefore makes it easier to understand why the PSU reform process has bogged down over the years. In the following paragraphs, four factors which have affected the process of decentralization are identified. The Chinese government has taken these factors into consideration, yet they require more investigation and attention in order for the reform process to succeed.

## Political Will

Political will is without doubts the pivotal factor in decentralization (Smucker et al. 2000). It directly concerns the imperative to design programs rooted in political and social realities. Political elites see decentralization as a means for achieving ends that may or may not be linked to greater levels of democratization (Oxhorn 2001), such as enabling more efficient service delivery. In the PSU reforms, political will is demonstrated by the steering organ called the State Commission Office for Public Sector Reform (SCOPSR), an organ directly under the Central Committee of the Communist Party of China (CCCPC). At the central government level, SCOPSR is in charge of the PSU reforms; at the provincial and other local levels (except the township level), local Offices for Public Sector Reform (OPSR), which are under the direct supervision of the highest executive at that level (e.g., the governor,

mayor, etc.), are responsible for propelling the reforms. The actors in these organizations have shown a strong political will to conduct the reforms.

Nevertheless, the rounds of reform have been criticized for lacking concrete goals, a comprehensive strategy, and effective regulation. The strong political will is in fact not concretely implemented. Cheng Siwei, the former vice chairman of the National People's Congress (NPC), conducted research on PSU reform (1998) and argued that the biggest problems in reforming PSUs were that the goal for reform was unclear, there was a lack of appropriate strategies, and there was no effective, stable policy.

The World Bank did similar research in 2005 and identified some problems. The market orientation and introduction of service charges in the second round shifted the burden from the public coffer to individual citizens, who had to pay more for public services. The worst affected group was of course people with little income. An increasing imbalance loomed large from region to region in the provision of public services. PSUs tended to try to increase their profit in ways that could cause the quality of the services to decrease, and government regulations and constraints were insufficient for resolving the problem (World Bank 2005). Eaton et al. (2010) argue that a lack of correspondence between general public-policy goals and reform goals results in failure to meet the stated objectives of decentralization, plus a host of other unintended consequences.

The situation is complicated by the fact that a central government that pursues decentralization is not one monolithic entity under the control of one resolute individual; the goals and behavior of various actors within the central government and their relative ability to shape policy may vary considerably (Eaton et al. 2010). For example, in PSU reform, community health-service providers had to engage more actively with their local community and government, but they experienced difficulties dealing with the government (You et al. 2008). These difficulties included insufficient reimbursements, changeable policies, frequent inspections and assessments, insufficient cooperation and coordination between community health facilities and government agencies, and the abolition of some established services.

## Legal Framework

If a legal framework is constructed, decentralization can be implemented within its bounds (Smucker et al. 2000). The legal framework for reforming PSUs, however, has consisted mainly of CPC and executive decrees, not by laws issued by the National People's Congress.

More than a dozen decrees have been issued from 1985 to 2011—including those on reforming PSUs for education, government logistics, scientific research, newspapers, the press, and healthcare—solely by the CCCPC or State Council/ministry, while others have been issued jointly by the CCCPC and State Council.

Despite all these decrees, there are no specific laws stipulating the rights and duties of PSUs—either as enterprises or Non-Profit Organizations (NPOs)—in delivering public service and how they should be provided. Previous reform efforts have turned some PSUs into enterprises that enjoy the right to be managed and run independently, and to be responsible for their own funding. Others function according to conditional government regulations, have limited power to manage their operations, and still obtain partial funding from the government. The rest are financed entirely by the government, and their size and scale are under direct and strict government control. The latest decree promulgated in 2011 fails to clearly define the legal status, rights, and obligations of PSUs, their entitlement to residual assets in the case of bankruptcy, and related legal issues and questions. All such issues necessitate a law of public assets and public ownership, yet such a law does not exist.

In general, laws concerning NPO registration, internal structure, scope of activities, legal rights and duties, nature of assets, financial management, government support and regulation, remain unwritten. Those PSUs that have the potential to turn into NPOs, request such legal guidelines.

In reality, PSUs that have been somewhat transformed into enterprises often have two legal statuses: as enterprises and as institutional legal persons. For example, a great number of PSUs engaging in cultural activities are running business operations—mainly in publishing, broadcasting, and television, and they have already acquired legal person status (Zhang 2006). Meanwhile, they are still regarded as PSUs and function under the supervision of government agencies, who give them orders on public service provision. And it is almost impossible for PSUs to reject such orders because they have dual identities, one of which certainly is not independent. Under this system of dual identities and operations, public service provision becomes entangled with commercial business practices. Due to mixed legal statuses and overlapping functions, the cultural PSUs sometimes experience a dilemma of conflicting organizational goals. Their internal management is increasingly chaotic.

There are no laws in China clarifying the required quantity and quality of public service provision. Basic public services in many countries are the responsibility of the government; therefore organizations delivering such services are often fully government funded. Non-basic public services are usually partly government funded. Specific laws on contracts between the government and provider organizations for public service provision are a must. Were they promulgated in China, the government could oversee the quantity and quality of the services delivered and determine whether they met the requirements stipulated in the contractual agreement. Such a law would also enable provider organizations to obtain funding as agreed by contract—funding which would be sufficient for their operation and service delivery. The law could prevent the government from shifting its budget allocations as it wishes, as well as control or curb the problems of inefficient service delivery and waste.

## **Institutional Capacity**

Institutional capacity is particularly important because it can be decisive in determining the level of autonomy PSUs could achieve from the government. From a managerial perspective, the size of PSUs is one fundamental problem that affects institutional capacity or capacity building. Because PSUs have closer ties to the government than do SOEs, PSUs are sometimes created to circumvent restrictions when pressures build to downsize administrative organs. This partly explains why PSUs are overstaffed. To put this point in perspective: when the SOE reform was implemented in the 1990s, thousands of employees were laid off—*de facto* fired for good—by the government. But the PSU reform faces a mission almost impossible when it tries to fire PSU staff. Despite some gradual progress, the core issue of downsizing PSUs is seldom truly touched upon, as staffing is bound up with government decision-makers.

The staffing problem shows that the government's delegation of responsibility to PSU management is not in fact fully implemented. PSU managers have no say on either the staff size or the qualifications of employees. This raises a key question: To what extent does the government really want to transfer its power to PSUs, so that institutional capacity concerning staff members and their qualification, organizational accountability, management structure, and so forth, can be enhanced by independent PSU management?

## **Major Challenges for Further Reform**

### ***Taking Stock of All PSUs***

Even though the PSU reform process has been going on for more than two decades, there is still no accurate data on how many PSUs there are and how they are affiliated to the party and government organs at different levels. The National Bureau of Statistics, Ministry of Finance, the SCOPSR, and Ministry of Personnel are key departments that collect data on PSUs by region and sector, yet very few of these government bodies have made their statistics publicly accessible (World Bank 2005). Even if statistics were available, there might be considerable discrepancies between the versions, as each government department has its own categorical definitions and method of data collection. Therefore, one basic task for furthering the reform process is to sort out clearly the number, category, staffing, and budget of all PSUs. Only with this fundamental information can reformers gain a better, comprehensive overview and set viable targets.

PSUs should be categorized in greater detail. PSUs are highly diverse and complex, hence redefining them requires more than the quick categorization of enterprises, government agencies, and non-profit organizations (these are the categories suggested by SCOPSR). Each PSU needs sub-categorization so that its position in

the reform process is clear. This would enable reformers to determine which ones should remain publicly-financed service deliverers, which ones should be turned into market competitors, and which ones should function as government regulators. All PSUs should be scrutinized case by case, not merely by general criteria. Sub-categorizing PSUs also gives the government an opportunity to redefine its role in delivering public services, to reposition its functions, and readjust its relationship with non-governmental organizations.

### ***Defining Types of Public Service Provision***

The PSU reform process is not only about downsizing institutions or improving efficiency; it reflects a deeper need to redefine public services of different types and to distinguish between the choices for service provision. When providing public services, the government has three basic choices: it can provide the service itself (an example here is the police service); it can establish state-owned enterprises or independent, non-governmental agencies to deliver the service; or it can contract out public service provision to private businesses and non-profit organizations.

Privatization and deregulation in public service delivery mean, firstly, that public resources are allocated based on market criteria and on the performance of producers and deliverers; secondly, that experience from result-oriented private management is transferred to public service providers; and thirdly, that individuals choose between different service providers (Li 2009). The unspoken assumption here is that the market and competition make individuals better off. However, the market has been shown to have failed most particularly in producing public goods. The government must fulfill its obligation to provide citizens with public services, but it is impossible for the government to provide all such services solely on its own. This is why the different types of provision have emerged. Not all public services can be improved through privatization. What type of public service is best delivered by what type of organization? This question needs to be studied as a prerequisite for reforming PSUs. Such a study would also justify why PSUs should and could be transformed into enterprises, NPOs, or administrative organs.

### ***Avoiding Political Risks of Government***

To decentralize is one way to revitalize public service providers that were created in the planned economy era, but it is important to specially tailor the scope and extent of decentralization. Some basic needs of citizens, such as education and healthcare, should not be solely market oriented. If citizens must themselves pay part of the cost for those services, the amount they pay should be equitable. Privatization cannot be a means or pretext for the government to evade responsibility. Efficiency is crucial, yet what matters just as much is the equity of public service delivery.

If the goal of the reform process is primarily to free the government from the huge burden of funding PSUs, it may be politically risky for it to abandon its responsibilities and functions. As public services providers, PSUs mainly obtain funding from the government and the users of the services. The cost-sharing ratio between the government, tax payers, and users of public services is not only a matter of cost sharing, but of the rights of citizens to public services, and of the government's obligation to provide them.

One of the government's goals is to make PSUs efficient. However, when a reform turns into a strategy for evading responsibility, it may turn into a political risk that damages public confidence in the ruling party and the government. The central and local levels of government must fulfill the state's responsibility to deliver necessary public service in order meet citizen demands, or they must share such responsibilities in a reasonable way with other organizations.

## Conclusions

In 1985, China's government began the process of comprehensively reforming the PSUs that were rooted in the former planned economy. This has involved the demopolization of public service provision with the ultimate goal of improving the quantity and quality of public services in order to meet citizens' needs. The core goal is to revitalize PSUs as independent public service providers rather than as government affiliates. Each round of reform has adopted an approach involving two types of decentralization: through administrative decentralization reformers have sought to transfer power, responsibility, decision making, and resources from central to local government levels and from the government to the PSUs; through market decentralization some service provision is privatized or deregulated. As an outcome of all the reform efforts, better public service delivery or better governance in the long run is to be expected.

Despite limited achievements and some unintended consequences during the last 30 years, the reformers must now address those factors that will affect the next steps to be taken, and in that thorough consideration, deal with some pressing challenges. The bonds between the government and the PSUs are hard to break. The PSUs cover a wide range of fields and differ from each other substantially, also in terms of their provincial and regional characteristics. There is therefore no clear-cut, easy solution to reforming each PSU. All the factors make it difficult to devise a unified reform plan that works everywhere in every field.

The reform process must be long-term and gradual. In China's stride towards good governance, decentralization will continue to be an unavoidable approach to reforming public service delivery. However, it needs to be a conscious decision by the government, rather than a reckless by-product.

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# Chapter 13

## Dynamics of Public Policy: Determinants of Policymaking and Implementation in Bangladesh

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### Introduction: Theories and Practices of Public Policy

The literature on policy science explains the role of legislature, judiciary, and bureaucracy as the prime movers of public policy, but such approaches tend to ignore the normative aspects of such institutions. There is always a “gap between prescriptive theory and actual practice” in understanding the role of these institutions and public policy formulation (Howlett and Ramesh 2003). Public policies vary according to the nature of the political system and its dynamic interface between internal and external actors (Wagner et al. 1991). Public policy is also seen to be a product of the politics of symbolic ideas proposed by policy actors and experts (Beam et al. 2002). Alternatively, there are arguments that public policies are influenced by global political cybernetics (Kennedy 2006). The process of making policies is a complex phenomenon, and one of the approaches to understand the process is through assessing the causal variables which are otherwise referred to as policy determinants (Munns 1975). This school of researchers questions to what extent public policies are determined by macro-level socio-economic factors and the level of influence and relationship between domestic actors and the international system (Rakoff and Schaefer 1970).

Public policy literature has generally emphasized the internal and domestic activities of the state, but the reality is that the international realm is a differentiated entity and its role in policymaking must be taken into account. Different international actors generally have different levels of impact on domestic policy-making processes and policy outputs (Hobson and Ramesh 2002). As a goal-oriented be-

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haviour on the part of government, public policymakers take into consideration the realm of potential options and constraints at a given historical, political, and social conjuncture (Sharkansky 1971). Furthermore, in making and implementing the policies, they face internal and external constraints, examples being financial, personnel, and informational resources, resistance from domestic interest groups, obligations to international treaties and conventions, and pressure from external actors (Keohane and Milner 1996).

Empirical data drawn from the developing countries suggest that economic growth and development management are significantly linked with the nature and focus of the policy determinants (Siddique and Abdullah 2011). Along with other variables, the readiness of a government to adopt new policies is strongly linked to the policy makers' level of readiness and professionalism (Hill 1992). Furthermore, different "pathways to power" have evolved to define and explain the policy determinants and processes (Posner 2008).

As stated, external actors and determinants play significant roles in the dynamics of policy-formulation processes in developing countries. Policy influence and policy transfer are some of the emerging but dominant paradigms in public policy literature (Dolowitz and Marsh 2000). Some observers therefore argue that development aid has hampered the pace of development by "disempowering the country's policymakers because they were subservient to external policy prescriptions" (Lewis 2011, p. 39). Thus the public policies suffer from what Rahman (2011) labels as "guided ownership". It is further argued that ownership, in terms of policy formulation, may not necessarily result in concrete changes on the ground, given a government's lack of commitment, inadequate institutional capacity, and governance deficits (Institute of Governance Studies [IGS] 2012).

This paper examines the roles of some critical determinants, conditional factors, and the processes that influence policymaking and its implementation in Bangladesh. The prime research question is: What are the critical factors and conditions that influence the policy formulation and implementation process? To address this question, survey data have been used to assess the views and opinions of the senior policy makers in Bangladesh's public bureaucracy.

## Bangladesh Country Context

Bangladesh is one of the most densely populated countries of the world, with a current estimated population of 142.32 million (Bangladesh Bureau of Statistics [BBS] 2011), 76% of whom live in rural areas. The per capita income is close to US \$ 700, while the economy has grown at around 6% in recent years. During 1990s and onwards, Bangladesh has notably improved its economic performance and human development indicators.<sup>1</sup> This shows that it is possible to make rapid initial progress

<sup>1</sup> Since 2000, the growth of the GDP was around 5%; the population growth rate fell from 2.4 to 1.5% between the last two decades. Human development indicators ranked Bangladesh amongst the top performers in the UNDP Human Development Index. The index on human poverty shows

in many social development indicators by creating awareness through social mobilization campaigns, and by reaping the gains from affordable, low-cost solutions.

Compared with other developing countries, Bangladesh has done well during the last four decades. The major bottlenecks to development have been political turmoil, poor governance, and policy deficits. Estimates of governance indicators in Bangladesh for 2010 were negative and suggest that governance in the country is far below the world average (Jamil et al. 2013). Out of six governance indicators, four ranked Bangladesh in lowest 25%, one put it at 32%, and one in the bottom 40%. Alarming, four of the governance indicators have persistently declining since 1996 (World Bank 2011).

The lack of good governance has impeded Bangladesh's ability to achieve an optimal trajectory of development, and its socio-economic achievements may be termed as a development paradox: On one hand, how could Bangladesh have achieved such economic growth at the same time as it experiences the falling scale in conventional governance indicators? On the other hand, how has the momentum of economic growth been able to withstand the weakening of the institutions of political governance and public-policy making? (Jamil et al. 2013; Ahluwalia and Mahmud 2004).

## The Institutional Framework for Policymaking in Bangladesh

Part II of the Constitution of Bangladesh (Fundamental Principles of the State Policy: Article nos. 8–25) provides the outline of the public policies and development goals, objectives, and strategies. There are as many as 25 articles under Part II of the constitution that describe the fundamental principles of the state policies.<sup>2</sup>

The Sixth Five Year Plan (SFYP) provides the broader framework of public policy in Bangladesh. One of the major guiding principles of this plan is to achieve the goals set in Vision 2021 of the Government of Bangladesh, which equally emphasizes the provisions for instituting regulatory policies for safeguarding public interests.

Meanwhile, the National Economic Council (NEC) is the highest authority to approve major economic policies and development strategies. Its task is to formulate the national policy and objectives for long term plans. The ministries are responsible for adopting the policies, plans, and programs according to the objectives and priorities set by the NEC.

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a decline from 63.1 in 1981–1983 to 34.8 in 1998–2000. Thus the head count poverty index has declined from 70% in the early 1970s to 50% in 2000 (See UNDP 2011).

<sup>2</sup> Through the 15th Amendment, socialism has been reintroduced into Bangladesh's constitution. Socialism has been defined as an economic system that aims to ensure the attainment of a just and egalitarian society, free from the exploitation of man by man (article 10 of the constitution).

The Planning Commission is another central planning body of Bangladesh. It includes professionals and sector specialists engaged in formulating the government's macro- and micro-economic plans and policies.<sup>3</sup>

The broad policy and regulatory framework generally falls under one or another Act of Parliament. If no parliamentary act undergirds a particular policy to be initiated, then the policy must ultimately be ratified through legislation. In such cases, it is usually the government cabinet that makes the decision to formulate the new policy and entrusts the relevant ministry with the task of drafting the policy document. Sometimes a ministry has special agencies or institutions to which it delegates the task of policymaking and coordination. Policymaking in Bangladesh, however, cannot be described as a linear process. Oftentimes policy is "discovered to have been made after the decisions have been taken or other options eliminated through political positioning of key players".<sup>4</sup>

The major stakeholders in Bangladesh's policy formulation process would include the following: the cabinet, the ministries, parliament, political parties, bureaucracy, non-governmental organizations and civil society organizations, the private sector, mass media and the international donor community. The following paragraphs offer brief discussions of each of these stakeholders.

## ***Cabinet***

Like many other parliamentary forms of government, the central cabinet is the highest policymaking body in Bangladesh. As stated in the Rules of Business 1996, Sect. 4(ii), "No important policy decision shall be taken except with the approval of the cabinet". Thus the cabinet is the ultimate authority for approving a policy, and all policy-related issues must be cleared by it. These include all cases related to legislation, including the promulgation of ordinances; cases involving vital political, economic, and administrative policies; and proposals related to changing any existing policy or cabinet decisions. The cabinet has its own structure (committees) for assessing and examining selected policies.<sup>5</sup>

<sup>3</sup> The Planning Commission is composed of six divisions. These are the General Economics Division, the Programming, Evaluation and Appraisal Division, the Socio-Economic Infrastructure Division, the Industries and Energy Division, the Physical Infrastructure Division, and the Agriculture, Water and Rural Institutions Division.

<sup>4</sup> This observation was made by a retired senior civil servant and later adviser to the caretaker government. Speaking from his personal experience and institutional memory, he referred to the case of the last-minute change of the national budget, which had already been printed. It was called back for correction and reprinted. Such changes were made to accommodate the pressure induced by a strong lobbyist group.

<sup>5</sup> The cabinet committees are as follows: Food planning and monitoring committee, Senior appointment, Promotion and service structure committee, National award committee, Government purchase committee, Committee on pay fixation, Committee on foreign employment, Committee on urgent and national interest, Committee on finance and economic affairs, Committee on foreign affairs, Committee on law and order.

## ***Government Ministries***

Bangladesh's government ministries<sup>6</sup> are self-contained administrative units responsible for conducting government business in distinct, specified spheres.<sup>7</sup> For each ministry, a minister is responsible for the policy matters that concern his or her ministry and for the implementation of those policies. One of the major responsibilities of a ministry, as per the Rules of Business Sect. 4(ix) is "policy formulation, planning and evaluation of execution of plan".

The ministries have special agencies or institutions delegated with the task of policymaking and coordination. The relevant ministry generally forms a task force that is entrusted with formulating the policy outline. Such a task force is comprised of senior ministry staff (normally a joint secretary or equivalent) acting under the direction of the ministry secretary. The task force may include members from other ministries as well, if there is overlap in objectives, or if outcomes can only be achieved through inter-ministerial collaboration. The task force may, on occasion, engage domestic or international consultants to provide the background research for a document, as guided by the overall goals of the policy.

Once a draft policy document is prepared in accordance to the Rules of Business Sect. 14 (4), it is forwarded to relevant ministries for their comments, observations, and clearance. This usually includes the Ministry of Law and the Ministry of Finance for comments and vetting on all legal and financial implications. Other ministries may also be asked to comment on the policy draft, if it is determined that the policy involves their scope of interest as well. The draft is then revised accordingly. There may be several rounds of comments and counter-comments before consensus is reached. The revised document is then sent to the cabinet for review and approval. In some cases, the cabinet refers some critical and important policies to cabinet sub-committees for further review and analysis. However, evidence suggests that some policy packages initiated by the office of the prime minister or an influential cabinet member generally follow a fast-track approach in the formulation and approval process.<sup>8</sup>

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<sup>6</sup> In Bangladesh, a government ministry is composed of one division or a group of divisions. 'Division' means a self-contained administrative unit responsible for conducting the business of the government in a distinct and specified sphere. Each division is headed by a secretary. Each division also has a 'wing', that is, a self-contained subdivision for conducting specified duties. A wing is headed by a joint secretary and additional secretary. Wings are further divided into sections—headed by an assistant secretary and senior assistant secretary.

<sup>7</sup> At present there are 37 ministries and 17 divisions. Each ministry has at least one division, and the relatively larger ministries have two or more divisions. In addition, there are independent divisions enjoying the status of a ministry but not necessarily attached to any ministry.

<sup>8</sup> The ICT Policy 2009 of Government of Bangladesh is an example. This policy has been a pet project of Prime Minister Sk. Hasina, and it was also a highly prioritized area of concern in the election manifesto of the current ruling party, the Awami League. Technical support for the policy was given by a special project called Information (A2I) Programme based at Prime Minister's Office. Members of the bureaucracy reported during the interview that the ICT policy was drafted and approved in the shortest possible time. Routine steps in the formulation and approval processes were not followed.

## ***Parliament***

Despite its constitutional position, Bangladesh's parliament has become merely the law approving body. Most MPs, as it is observed, "are content to cede any policy role they may play to the central leader in exchange for protection of their commercial interests" (Lippert 2009, p. 34). Evidence further suggests that important policy issues are rarely discussed in parliament and the committees (Ahmed 2001, 2012). What is more, there is inadequate debate on policy and legislation in parliament; many important matters including the 5-year plans are not discussed there, and most policies that are formulated at the ministry level are not even announced in parliament (Transparency International, Bangladesh [TIB] 2009a).

Bangladesh's parliament has gradually degenerated into a mere instrument of regime maintenance that provides legitimacy to the ruling regime to govern. It is not an active body for policy debate, review, and analysis. The parliament has unfortunately failed to deliver the key tasks of representation, legislation, oversight of the executive branch, and conflict resolution. It has therefore been insignificant for promoting good governance (Rahman 2008).

## ***Political Parties***

Bangladesh's political parties suffer from an image crisis, low credibility, and low public trust. Nevertheless, image still matters in the country's political processes and policy mobilization (IGS 2009). In most cases, elected office holders at various levels do not necessarily win an election because they are credible candidates but because of the party symbol they represent. The political parties are considered a safe abode for criminals, terrorists, and extortionists (TIB 2009b). Furthermore, the political system has been ruined by a new process of "criminalization and commercialization" of politics (Aminuzzaman 2010a). Business elites are gradually taking control of the political party and the parliament (Liton 2011).

The ruling parties in Bangladesh have almost always tried to establish hegemonic control over the use of public resources to further their partisan interests. This they have done under the facade of public interest. Public policy-making is thus characterized "as the outcome of incentives created by patronage politics as opposed to the compulsion for the government to play an effective developmental role" (Mahmud et al. 2008, p. v).

## ***Bureaucracy***

Because of its professional expertise and strategic position, public bureaucracy plays a significant role in policymaking in Bangladesh. In fact, bureaucracy stands at the centre of both policy formulation and implementation, and it tend to manage



a strategic balance between the political interest and rule-oriented professional standard. Bureaucracy also plays a critical and tactical role in addressing and accommodating donor pressure, persuasion, and dominance in the policy formulation, and to certain extent the implementation process (Rahman 2011). That said, the public bureaucracy is considered to be slow, risk averse, and resistant to change (Aminuz-zaman 2010b; World Bank 1996). There are many instances where bureaucratic resistance has stalled good policies and government programs (Hossain 2011).

### *NGOs*

In terms of policy conceptualization, especially social policy, the NGO community has largely filled the void left by the state's inattention to policy formulation and reform. NGOs have played the role of catalysts in the formulation process of policies on the environment, the right to information, and the rights of women and children (IGS 2012). In such processes, they have been heavily supported by donor funding, technical assistance, and consulting support. In many cases, the donors act as mediators between the NGOs and the government. In some cases, the government also utilizes the NGOs in mobilizing public opinion in favour of a policy. Some leading NGOs even provide research and consulting support to the government in the policy formulation process (Islam 2012).

### *The Private Sector*

Over the last two decades, the private sector has emerged as a strong stakeholder in policymaking processes. In the present parliament, one-third of all MPs have direct commercial interests in the garment industry, the nation's largest exporter (Jahan and Amundsen 2012). Business leaders cum MPs directly and indirectly play significant roles in formulating fiscal policy. This adds force to the argument that over the years, strong ties have developed between MPs and the private sector. Such ties have become strong and effective factors that characterize and affect the policymaking process in contemporary Bangladesh (Mahmud et al. 2008).

### *Informal Pressure Groups*

There is also evidence that informal pressure groups have played important roles in pursuing various policies. Such informal networks with relatively few actors tend to maintain close working relations with the highest political offices. They try to influence policy outputs and institutional processes. There are wide-spread media allegations about the Hawa Bhaban—the private political office of the chairperson of the then-ruling party Bangladesh Nationalist Party (BNP)—said to have eliminated

“the distinction between government and the party, for instituting a culture of impunity where party henchmen considered themselves above the law”. Furthermore, the informal powerhouse was alleged to have played a strong “policy influencing” role to extract “kickbacks” and “political advantage” (Anam 2008).

### *Donor and Development Partners*

Since the early 1980s, the international donor community has played a significant role in setting and shaping the policy agenda for Bangladesh. One of the country’s leading development economists has noted that “the psychology of dependence on donors has become ingrained in the psyche of military, political and bureaucratic decision-makers in Bangladesh” (Sobhan 2007, p. 54). This incapacity to restore sovereignty to Bangladesh’s policymaking process has aggravated and eroded the state’s credibility and authority. Though dependence on aid, in quantitative terms, has visibly declined in Bangladesh during the 1990s and onwards, the dependence on policy advice from donors still remains strong. Paradoxically, while aid to Bangladesh has been falling, the country is increasingly witnessing a wider variety of conditions which restrict policy autonomy (Islam 2003; Aminuzzaman 2007). Donors play a significant and noticeably intervening role, through injecting policy ideas and making recommendations for policies.<sup>9</sup> Thus the normative biases and perceptions of the donors influence the policy content and process. One frustrated finance minister publicly criticized the World Bank and IMF, saying that the two donor agencies “treat the finance minister as a clerk” in adopting policy prescriptions. He further blasted the donors for their meddling in the domestic affairs of the country and said “Donors must understand that the development programs of our country are owned by us, not by them and we will decide how we will implement them” (cited in Haque 2006). Furthermore, individual line ministers do not have the strength to withstand “lobbying” and “political interference” from the external sources (Economic Relations Division [ERD] 2011). Members of bureaucracy and policymakers usually complain about the harshness of the donors’ policy reform agenda. Aminuzzaman (2007) recounts three key observations made by members of bureaucracy about donor-related problems:

- Some conditions of the donors were acceptable to the government but not to the people and therefore faced political resistance. One such example is the strong resistance from civil society, media, and political parties to the withdrawal of agricultural subsidies during mid-1990s, due to a World Bank and IMF prescription about structural adjustment.

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<sup>9</sup> International donors, both bilateral and multilateral, have a significant presence in Bangladesh and play an important role in the development of the country. Approximately 2% of GDP, depending on how one counts it, derives from donor contributions.

- The government of Bangladesh has made no serious effort to mobilize political support for the conditional reform package, neither in parliament nor popular support within civil society, or even amongst beneficiaries.
- The policy reforms become a donor-driven process where the commitment and capacity of the government of Bangladesh remains weak. Since the pace of reform and adjustments are too rapid, some policies become politically infeasible and socially unacceptable.

The foregoing discussion reveals that the conventional institutional structure of the policymaking process in Bangladesh is weak and non-performing. Those who should be active in making policies have not been playing visible and effective roles in the policy process, thus leaving a wide space for external actors.

### ***Determinants of Policy Formulation: Perspectives of Bureaucracy***

The available literature on policy dynamics reveals that different policy actors and conditional factors tend to shape the policymaking process and its implementation (Neumayer and Plümper 2012). This section of the paper presents the empirical findings of an assessment of determinant factors that affect both policymaking and the implementation processes in Bangladesh. The findings are based on a survey that tapped into the views and personal experiences of civil servants holding policy-level positions; the questions they were asked concerned the role and relative influence of different policy actors, and determinants in policy formulation and implementation in Bangladesh. A total of 76 civil servants, all of whom hold positions ranging from deputy secretary to secretary, responded to the survey, which was carried out during 2010–2011.<sup>10</sup> A structured questionnaire was used, and the respondents were asked to identify the major factors and actors that have significant impact either on policy formulation or on implementation, or both (Table 13.1).

The regression analysis data reveal that as far as policy formulation is concerned, the most significant factors are technical assistance from donors, and the political will of the chief executive. Interestingly, the rest of the factors, other than donor conditions and allocation and control over resources, do not seem to have any impact on policy formulation.<sup>11</sup> On the other hand, the continuity of institutional leadership, technical assistance from donors, and political will, are the most critical elements that affect the implementation of the policy. Supportive rules and synergy

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<sup>10</sup> A purposive sampling was done. Respondents were drawn from amongst those who have at least 3 years of working experiences at any ministry, and who hold higher policy-level positions and have personal experiences in drafting and or implementing a public policy. The respondents include 33 deputy secretaries, joint secretaries, 14 additional secretaries and 8 secretaries of the government of Bangladesh. Sampled respondents covered 22 divisions/ministries of the government of Bangladesh. The questionnaire used a five point Likert scale to assess the relative strengths of the respective factors. In addition to the questionnaire survey, in-depth interviews were conducted with 10 incumbent and retired senior civil servants holding strategic policy-making positions.

<sup>11</sup> See the Appendix for the operational definitions of the dependent and independent variables.

**Table 13.1** Factors affecting policy formulation and implementation in Bangladesh ( $n=76$ )

Affective/influential factors	Dependent variable policy formulation process	Dependent variable policy implementation process
	Beta coefficients	
Change in leadership/regime	0.113	0.681***
Community/Stakeholder participation	0.090	0.193*
Donor conditions	0.389*	0.479*
Donor technical assistance	0.693***	0.713***
Long term vision/perspective	0.090	0.251*
Managerial/technical skills	0.345**	0.545***
Political will/direction	0.602***	0.597***
Supportive rules/synergy	0.033	0.354**
Allocation and control over resources	0.241*	0.414**
Adjusted R <sup>2</sup>	0.543	0.626

\* significant at .10 level, \*\* .05 level, \*\*\* at .01 level

with other rules also play important roles in the implementation process. In other words, it looks like policy implementation is influenced by more factors than that of policy formulation in Bangladesh. One therefore may infer that in Bangladesh, public policy formulation is relatively more autonomous than policy implementation.

Also worth noting is that some determinants are significant in the implementation process but not found to be significant in the formulation stage. Leadership, in contrast to the conventional thinking, is not found to be insignificant in policy formulation, but it is highly significant for implementation. This can be interpreted as policy formulation and perhaps is seen by public bureaucracy as more of a routine activity than a strategic thinking. The insignificant impact of community and stakeholder participation in the policy formulation process reflect the mind-set of the public bureaucracy, which is otherwise known to be passive and less responsive to popular demands.

More surprisingly, members of the bureaucracy did not find that supportive rules and their synergy during policy formulation were of much significance. But in the case of policy implementation, they considered it highly significant. The likely interpretation of this could be that the members of bureaucracy, in practice, tend to work in isolation and prefer not to be interfered with from any corner. However, while implementing the policy, they seem to be under pressure to bring about results. Thus they tend to recognize the importance of appropriate rules and their synergies during the policy implementation process.

In summary, the regression analyses draw the following inferences:

- a. Political will is a significant factor that shapes and influences the policy formulation and implementation process of public policies in Bangladesh.
- b. Donor technical assistance is a critical determinant that strongly affects both formulation and implementation of public policy.

- c. However, donor's conditionality is a strong determinant for both formulation and implementation, while it is much stronger and significant in terms of implementation.<sup>12</sup>
- d. Managerial preparation and technical competence are recognized as important determinants for both formulation and implementation. However their effect is much more significant in policy implementation than formulation.
- e. Control and management of resources is another determinant that influences policy formulation and implementation.<sup>13</sup> However, this factor is much stronger and significant in policy implementation than formulation.
- f. Some factors affect the implementation process and practice of public policy—these include community and stakeholders participation, the absence of a long term perspective and vision, the continuity of the government, supportive and supplementary rules and a legal framework, and the synergy between and among such rules.
- g. Regime change did not make any impact on the policy formulation, but it had significant impact on policy implementation. It apparently indicated that there had been some form of competitiveness between the political regimes to accelerate the speed of policy implementation.

During the interviews, some senior officials identified other factors that also affect the policy process. They observed that due to lack of time and inadequate in-house expertise, bureaucracy tends to adhere to the incremental approach; in many cases, because of extreme political pressure, they tend to draft the policy, keeping in view the political interests more than any objective assessment. They also recognized that there is no formal system or mechanism for undertaking research, analysis, and impact assessment of various policy interventions. There is no such system whereby any officer or group of officers would be held accountable for the poor pace of policy implementation, and/or the lack of policy assessment or analysis. One senior civil servant stated that “as a matter of fact, policy analysis or review is an alien concept in the public administration system in Bangladesh”.

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<sup>12</sup> The Economic Relations Division (ERD) of Ministry of Finance, in its review of 58 slow projects, observed that most of the donor-funded projects are running far short of the implementation schedule. The ERD review has identified that the reasons for the delays stem from both the government and the donors. ERD noted some of the faults of the donor agencies too, which include delayed disbursement, complex and delayed process of appointing consultants, and long time periods from approval to contract awarding.

<sup>13</sup> As of 31 March 2012, the total unused foreign aid in the pipeline was \$ 16.61 billion, of which the government could spend only 8.47%. The ERD, in its review of 58 slow projects, observed that most of the donor-funded projects are running far short of the implementation schedule. The ERD review states that the delays are caused by both the government and the donors. The government's faults include the following: delays and allegation in procurement process, faulty project documents, unrealistic requisition for fund allocation, and delays in land acquisition. (For faults of the donor agencies see previous footnote). ERD officials however recognize that over the years, the absorption capacities of the ministries and divisions have not considerably improved. This is causing a huge amount of unused foreign aid to pile up. During the first month of the fiscal 2011 year, the donors disbursed only 40% of \$ 4284.24 million of the foreign loans and grants they were committed to release (The Daily Star, 24 May 2012).

This respondent further observed that because of frequent change in senior policy positions, the ministries tend to lose the institutional memory, continuity, ownership, commitment, and thrust of policies (Jahan 2007).<sup>14</sup> In some cases, policies take complete U-turns or are suspended due change in the political regime. Respondents also observed that in some cases, policies suffer due to the lack of complementary changes in legislative and structural arrangements. Accordingly, there will be no implementation mechanism and absent or inadequate budgetary provisions. In connection with these problems, they noted that sometimes there was a gross lack of strategic and synergic links between sectoral policies.

The respondents did, however, make some suggestions for how to improve the policymaking system for the ministerial staff. They suggested the creation of a dedicated wing for policy and research by merging the development and planning wings of the different ministries. They also suggested developing a process to institutionalize the links between ministries, universities, think tanks, and civil society; the collaborative partners could undertake policy analysis, policy research, and monitoring. They have suggested the allocation of adequate budgetary provisions in each ministry to enhance the analytical and professional capacity within the ministries. However, they stressed that such higher education schemes needed to be synchronized with the national training policy and future career-planning and placement scheme. In order to inject new skill, a few members of bureaucracy also suggested introducing the provision of a lateral entry of experts at the joint secretary level; such experts could have short-term contracts and work in policy areas such as energy and mineral resources, water resources, health, civil aviation, trade and commerce—areas where the existing capacity is extremely low or non-existent.

Most importantly, respondents who were members of the senior bureaucracy strongly noted the importance of enhanced negotiation skills in policy matters. The members of civil service observed that members of bureaucracy are underprepared and sometimes lack the appropriate skill to carry out one-to-one basic policy negotiations, especially as regards aid programs.

The respondents identified a noticeable lack of harmony between the approaches of donors and the government to specific policy agendas. Although the donor communities in principle are committed to the Paris Declaration and steadfastly seek to harmonize their program-implementation approaches with the mainstream government line-agencies, in many cases they tend to develop new institutional as well procedural mechanisms. Ultimately, these affect the smooth implementation of policies, related programs, and projects. In some cases, this type of donor non-compliance with the fundamental features of the Paris Declaration directly affects policy implementation.

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<sup>14</sup> One study observed that on average, a secretary of a ministry remains in his position for around 1.2 years and then gets transferred to another posting. For details see, Surayya Akhtar Jahan, *Top Managers in Secretariat and District: An Analysis of Trends*, Unpublished Master's Thesis, Centre for Governance Studies, BRAC University, 2007.

## ***Way Forward***

To improve the quality of policy formulation and implementation, the institutional foundation for these tasks needs to be addressed and enhanced:

*Enhance the role of the parliament and its committees.* Parliament and various parliamentary committees need to be at the centre of policy debate and dialogue. At present the parliamentary committees appear to be visible but ineffective. In a number of cases, the observations and instructions of parliamentary committees have been ignored by the ministries. What is needed to improve the situation is the active engagement of the parliamentary committees; they need to acquire good overviews of their own government's policies. This role is now being filled largely by civil society and the donor community.

*Reassess the donor position and role.* In the context of Bangladesh, donors are important partners in policy matters and program management. However, the donors need to recognize the political reality of Bangladesh. In light of the Paris Declaration's spirit, donors should become more involved in constructive policy review than strict finger-pointing. They should recognize that the significant impact of policy changes comes gradually, and that incremental changes are more feasible and sustainable. While putting conditionality on policy reforms, donors should pay more attention to the political viability of the proposed changes and help the government by creating positive stimulus with added incentives. As a strategy, the donors should also seek support from civil society and the public bureaucracy, to form a coalition of change agents and to identify the potential drivers of change.

*Reorganize and enhance the in-house capacity of the ministries.* Policy planning and research should be given due importance in each of the ministries. A new policy-and-research wing for some of the strategic ministries needs to be created. The role and functions of the proposed wing should be rationalized and integrated with the existing development wing and planning unit of the ministries. Attempts should be made to staff those wings with adequately trained and skilled professionals.

*Institutional links with think tanks and universities.* At present, ministries' capacity to undertake advanced research is far too limited. To correct the over-dependency on overseas donor consultants, ministries should develop professional and institutional links with leading local think tanks, universities and recognized civil society organizations in various areas. They should also apply to these groups for technical assistance. On a case-by-case basis, ministries should opt to buy in technical services for selected areas of policy research and analysis.

*Recognizing and integrating the role of civil society.* One emerging force in policy advocacy in Bangladesh is civil society. As in many other newly emerging democracies, civil society in Bangladesh can play a critical role in public policymaking. The role of civil society, in fact, would depend on the nature of the demand and framework conditions. A brief list of areas of involvement from the civil society organizations may include policy advocacy and the mobilization of public opinion; active participation in the policy formulation process (with input from think tanks and experts—they could participate in public hearings, policy workshops, and seminars); bridging the gap between clients and the government; pressuring the government through mass media; supporting the popular movements in favour of a given policy issue; lobbying with the donor groups and development partners; playing the role of mediator and arbitrator between a client and the government; and undertaking policy analysis and research.



## Conclusions

The dynamics of public policymaking in Bangladesh reveal that policymaking is critically and extensively influenced by donor conditions and external technical assistance. Managerial preparation and technical competence are also found to be important determinants for both the formulation and implementation of policies, yet their effect is more significant in policy implementation than formulation. The political leadership of Bangladesh has treated some of the major policies more as rhetoric than commitment, and the parliament has been more preoccupied with partisan concerns than with engaging in serious debate on policy issues.

Bangladesh's experiences in public policymaking reaffirm that donor influence and dominance are significant, and that some form of a network policymaking model is in existence. This networking is found to be two-fold: it exists amongst the donors and between donors and NGOs. However, donor policy networks still do not seem to be built on a consensus about the agenda, nature, and scope of policy reform. When assessing results by using a prism of policy determinants, it appears that donor support and conditionality, political will, and the professional skills of the public bureaucracy are the key determinants that affect policy formulation and its implementation. Unexpectedly, other conventional determinants like resources and supportive regulatory frameworks are not found to be the stronger determinants that affect the policy processes.

In the context of Bangladesh and its domestic variables, the level of international influence and the relationship between domestic actors and the 'international realm' and its actors do strongly matter in policy formulation and implementation. The research presented in this paper supplements the constructs of Rakoff and Schaefer (1970). The study reconfirms the argument that external actors—that is, the bilateral and multilateral donors—tend to have different levels of impact on domestic policymaking processes and policy outputs (Hobson and Ramesh 2002).

The most significant factor to influence and shape policymaking and implementation, however, is political will and leadership. Without strong political ownership and leadership, public policy cannot sustain or bring about effective results. What is thus needed is a consensus-based, long-term perspective and vision for development. Most critical of all is strong political will—it is characterized by continuity, stability, the will to uphold and practice democratic values and processes, and to institutionalize those perspectives and visions.

## Appendix

Operationalization of dependent variables:

Policy formulation refers to the factors that influence the formulation process. Clustered variables of policy formulation include idea generation, data gathering and analyses, in-house discussion, preliminary drafting, consultation and meetings with donor agencies,

authorization from planning commission, drafting policy brief and notes for political executives, and placement of draft policy paper to the cabinet.

Policy implementation refers to the activities and processes whereby the concerned ministry implements the policy through its affiliated departments and line agencies. It also refers to the actual and anticipated outcome or result, and to getting necessary support from donor agencies, the ministry of finance, and the planning commission.

### Operationalization of independent variable:

Change in leadership and regime change: tenure of the secretary and/or the minister of the respective ministry

Community/Stakeholder participation: scope and option/methodology of participation in the process

Donor conditions: number of conditions/list of dos and do-nots set by the donors in the aid memoir/aid proposal

Donor technical assistance: number of 'man-months' of international consultants engaged in the process

Long term perspective: provisions of the 5-year plan and other sectoral policies

Managerial and technical skills: number and nature of the professional staff engaged in the process

Political will and direction: directives from the minister and/or prime minister and members of parliament

Supportive rules and synergy: supplementary rules of similar and related programs and policies

Allocation and control over resources: amount of resource allocated and the time lag in the release of fund from the ministry of finance and/or donors.

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# Chapter 14

## The Purposeful Destruction of State Capacity in Bihar, India

Santhosh Mathew and Mick Moore

### Introduction: State Construction and Deconstruction

*State building*—the construction of political order and executive capacity within large-scale units of territorial authority—has been a staple concern of history and political science. There remain significant conceptual, theoretical and empirical disagreements. One of the most pervasive is between (a) those who view state building principally as a process of accumulating power within the state apparatus, thus expanding the capacity of the political executive to shape and command non-state forces and actors, and (b) those who place more emphasis on interactive processes of bargaining and mutual construction between state and non-state forces and actors. Despite these disagreements, most contributors to the literature have been talking a similar language and have shared similar perceptions of the underlying issues. It is implicit in much of the more historical literature that the biggest challenge has been the initial construction of state authority.<sup>1</sup> Once states are in place, their boundaries might change but the state form itself has proved robust. The main challenges to state authority have generally been conceived to be external. The historical understanding of state-authority-related problems has changed somewhat in the last two to three decades because of the ‘failed state’ syndrome: the partial or total collapse

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<sup>1</sup> Huntington (1968), (Mann 1986, 1993), (Seeberg 2013), and (Slater 2010).

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of the authority of what had previously appeared to be relatively established states.<sup>2</sup> This syndrome, which has been especially widespread in sub-Saharan Africa, has shifted scholarly attention toward the quotidian vulnerability of states, particularly to routine challenges of various kinds, including challenges from globalization.<sup>3</sup> We now have a better appreciation of the amount of political work that is needed to reproduce state authority on a daily basis.

The collapse of the Soviet political order has led some scholars to pay attention to a further dimension of the fragility of state authority: its vulnerability to intentional destruction at the hands of those who control some of the levers of state power. Ganev (2007) explores the ways in which networks of people with strong links into the post-Communist state apparatus in Bulgaria deliberately weakened or destroyed parts of that apparatus, in particular, those agencies with personnel who represented repositories of information about the state's economic enterprises, to make it possible for them to steal state assets and hide their crimes. To elucidate: in Bulgaria, a few well-connected people borrowed large sums of money from state financial agencies that held the money on behalf of "millions of ordinary depositors who were weak and disorganized" (p. 88). The money was not repaid, in part because it was untraceable: "Under formal and informal pressure from powerful debtors, entire investigative units in the Ministry of Internal Affairs specializing in financial crimes were dismantled" (p. 90). The general point is that maintaining or expanding the authority of states may not be a priority—or not even an objective—of those who hold power. They may rather use that power to pursue other objectives, and be willing to destroy state capacity in the process. Some of the worst enemies of state power may be powerful insiders rather than external challengers.

This chapter explores just such a case of the intentional weakening of some aspects of state capacity by political insiders. It deals with techniques of ruling pursued by Lalu Prasad Yadav (henceforth Lalu Prasad) while he was *de jure* or *de facto* Chief Minister of the Indian State of Bihar over most of the 15 year period 1990–2005. Lalu Prasad ruled over one of the states of the Indian federation that was already notorious for bad governance and weak political institutions. The worsening of these problems under his rule was at the time widely misunderstood as an exacerbation of problems that were deeply rooted in the history and public institutions of Bihar. We show that this was not the case. The deterioration in governance under the rule of Lalu Prasad was principally the result of conscious decisions to weaken the state apparatus as a means of pursuing electoral goals. In brief, Lalu Prasad aimed to keep his core vote bank, numbering around a third of the electorate, loyal and mobilized. That vote bank lay mainly in what are termed 'backward castes'. This vote bank had two important features. First, levels of formal education were very low; members were generally severely under-qualified for public sector jobs of any kind. Second, the caste groups within it had a long history of subordination to, and exploitation by, the upper castes that traditionally dominated the public

<sup>2</sup> Clunan and Trinkunas (2010), Ghani and Lockhart (2008), Jackson (1990), Ottaway (2002) and Reno (1998).

<sup>3</sup> See, for example, Clapham (2002), Clunan and Trinkunas (2010) and Moore (2004).

services. Lalu Prasad kept large number of public sector posts vacant, especially at higher levels, in order to weaken the higher castes, to signal clearly to his core electorate that he was giving priority to the caste struggle, and to provide time for more members of that core electorate to obtain the qualifications they needed to be eligible for public sector jobs. Meanwhile, public service capacity was maintained or enhanced in those domains where it was needed to uphold or strengthen Prasad's core vote bank. The weakening of public services was a choice, not the outcome of deep historical and structural processes. The quality of governance in Bihar improved radically after his rule ended with electoral defeat in 2005.

## Questions About Bihar

The Indian state of Bihar lies toward the eastern end of the Gangetic plain.<sup>4</sup> It is part of a region of India that has long been relatively poor and backward, and remains largely rural and agrarian. Many scholars have tried to explain this backwardness. The more plausible and popular explanations focus on the malign role of the *zamindari* land tenure system; it emerged in the early period of British colonial rule to ensure the effective collection of land revenue. *Zamindari* was especially common around the Eastern Gangetic plain. It was a particularly hierarchical governance arrangement that gave a small number of *zamindars* enormous authority over those who worked in agricultural production. *Zamindari* tenure has been abolished, but it seems to have left an enduring 'footprint'. Scholars have found that the districts that were historically most subject to *zamindari* rule are economically the least developed today.<sup>5</sup> This finding, however, is a far cry from the depressing conclusion that Bihar is the doomed victim of its *zamindari* history—or indeed of any other historically rooted aspect. While the links that scholars have found between the land tenure history of India's districts and their contemporary prosperity are statistically significant, the explanatory value of such links is low. Land tenure history 'explains' very little of the contemporary variations in prosperity. Nor can it or Colonial history begin to explain why (a) standards of governance in Bihar took a distinct turn for the worse after Lalu Prasad first became chief minister in 1990; (b) why the governance standards improved radically after his period of rule ended in 2005; and (c) why, even during his rule, a few public services that were of strategic political significance were protected and privileged.

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<sup>4</sup> In 2000, the southern part of Bihar state (where about a fifth of the population live) was separated from the rest of Bihar to become the new state of Jharkhand. This does not significantly affect the story here. When we refer to 'Bihar' before 2000, we refer to the undivided state. After 2000, we mean the smaller unit of that name.

<sup>5</sup> See Banerjee and Iyer (2005). The *zamindari* system constituted a relatively indirect form of rule compared to the *ryotwari* system, under which small landowners paid land revenue directly to people occupying bureaucratic office.



## Lalu Prasad and Bihar Politics

Consistent with its strong *zamindari* inheritance, Bihar has long been ruled by members of a number of dominant upper castes that collectively accounted for a small proportion of the population.<sup>6</sup> They dominated the state's politics, professions, education system, police service, and public bureaucracy. Within India, Bihar has been notorious for inequality, caste hierarchy, and inter-caste conflict. Attempts to mobilize the majority of Bihar's population electorally against the small minority of upper castes go back many decades (Robin 2009). The fruits of mobilization, as measured by representation in the state assembly, began to be visible in the 1970s (Robin 2009).<sup>7</sup> In the 1980s, Lalu Prasad gained a prominent position amongst a range of politicians who were reflecting, spearheading, and shaping this lower caste revolt. Lalu Prasad belongs to a category known in India as 'backward castes'. These are in essence groups of people who, while not included in the group called the 'scheduled' castes (also sometimes referred to as untouchables or Dalits), are sufficiently poor to merit preferential treatment. They have been awarded notably quotas in the allocation of public sector jobs and access to higher educational institutions. In Bihar, members of backward castes are typically small-scale cultivators and owners of dairy cattle. The most numerous are the Baniyas, Koeris, Kurmis, and Yadavs castes, the latter being the most dominant. While only a relatively small fraction of the total population are Yadavs, they are widely distributed over the Gangetic plain and have been critical players in attempts to build an electoral coalition that would challenge upper caste dominance. Like the upper castes before them, they became significantly over-represented in the state Legislative Assembly relative to their population numbers.

Lalu Prasad emerged as the political leader of the Yadav caste, heading a political party that was effectively confined to Bihar. He first became chief minister after state elections in 1990. Using that position in ways we detail below, he achieved an electoral victory in the 1995 state elections that took the backward castes in general, and the Yadavs in particular, to their peak representation levels in the Legislative Assembly. The Yadavs occupied 26% of seats, the other backward castes occupied another 18%, and the upper castes were reduced to 22%.<sup>8</sup> In 1997 Lalu Prasad resigned as chief minister in the face of escalating corruption charges. He was several times briefly remanded in custody. With two very brief interruptions due to suspension of the state government and the imposition of presidential rule from Delhi, his

<sup>6</sup> The upper castes include in particular Kayasthas, Rajputs, Brahmins, and Bhumihar Brahmins. "The key levels of the bureaucracy and the police have long been controlled by people from upper caste backgrounds in Bihar and this control served to reinforce the domination of upper caste landlords in the countryside. In 2002, for example, out of a total of 244 Bihar cadre officers of the elite Indian Administrative Service, 135 were from upper caste groups, while only seven officers came from the three largest backward caste groups (based on my approximate data)" (Witsoe 2007). See also Clements (2005).

<sup>7</sup> Much the same was happening in other parts of what is often called the 'Hindi belt' of northern India, notably in the states of Uttar Pradesh and Madhya Pradesh (Jaffrelot 2009, pp. 6–10).

<sup>8</sup> The corresponding figures for 1952 were 8, 19, and 46% respectively (Robin 2009, p. 100).

wife, Rabri Devi then served as Chief Minister until the 2005 state elections. The widespread claim that Rabri Devi was simply a surrogate for Lalu Prasad is virtually unchallenged.

Lalu Prasad won three sets of state elections sequentially, and dominated Bihar politics for two decades. He employed various techniques to achieve his election goals, but his options were significantly limited by the fact that Bihar is a unit within India's relatively centralized federal system. The president of India has the authority to suspend state governments at any time, and state governments have only limited fiscal autonomy. Elections are managed centrally. While there were plenty of electoral irregularities in Bihar, it was not an option for a state-level political leader blatantly to hijack the election process, or otherwise completely subvert democracy. The primary means for Lalu Prasad to stay in power was to maintain a strong electoral base. That was a major challenge. The state electorate is fragmented among many caste groups. The caste and community affiliations of Bihar's population were last enumerated in the 1931 census. At that time, the upper castes accounted for 14% of the total, the Yadavs for 12% and other backward castes for a further 8%. What were called the extremely backward castes, who are still heavily under-represented in politics, accounted for 18%, scheduled castes for 16%, scheduled tribes for 10%, and Muslims for 14% (Robin 2009). The upper castes had traditionally been the ringmasters, coordinating and brokering political and electoral deals that enabled them to dominate the Legislative Assembly and the state government. How did Lalu Prasad set about displacing them, and largely replacing them with his own Yadav caste members?

Anyone with a passing knowledge of Indian politics would expect that a significant part of the answer would lie in targeted patronage, including the distribution of material resources, to a broad swathe of the poorer electorate: jobs, contracts, educational places, schools, feeding programs, wells, roads, and other benefits comprise much of the routine 'currency' of Indian electoral politics. A poor, rural electorate like that of Bihar is likely to be especially vulnerable to the attractions of a well-organized system of patronage (Kitschelt and Wilkinson 2007). Lalu Prasad was a master of the art of political organization. One would not expect him to bypass the opportunity to organize the distribution of political patronage, especially when, as in contemporary India, the central government is willing to foot most of the bill. In reality, Lalu Prasad put little effort into distributing material patronage, least of all as an instrument for obtaining broad, popular electoral support.

Our most tangible evidence for this claim is presented in detail elsewhere, in an analysis for the period 1997/1998–2004/2005 of spending on what are in India termed centrally-sponsored schemes (Mathew and Moore 2011). Indian state governments depend heavily on fiscal transfers from Delhi. Some of these transfers are allocated among the states according to statutory criteria. Others are more discretionary, including a diverse range of centrally-sponsored schemes through which money is transferred to the states from a variety of central ministries. To obtain fiscal transfers through centrally-sponsored schemes, state governments need to do two things. First, they need normally to provide some matching funds. Originally, state governments were required to co-fund up to 50%. By the 1990s, and

in response to high fiscal deficits being run by state governments, the average co-funding requirement was down to about 25%. Many centrally-sponsored schemes started since 2000 require no financial contribution at all from the state governments (Reserve Bank of India 2008). Note that under the rule of Lalu Prasad, the state government of Bihar had no significant problem in co-funding. Contrary to the image of the fiscally profligate populist leader, Lalu Prasad was, when compared to chief ministers of other Indian states, a relative fiscal conservative (Mathew and Moore 2011; World Bank 2005). The second thing state governments must do to access the revenue potential of centrally-sponsored schemes is continuously to invest significant bureaucratic resources in accounting and paperwork. All centrally-sponsored schemes are conditional application schemes. State governments need to apply for the money and to demonstrate that they have used previous allocations before they can apply for more; they must show, at least on paper, that they are implementing each scheme according to either the rules laid down by the central government, or according to the procedures the state agencies themselves specified in their funding applications, or some combination of the two.

The failure of Lalu Prasad's regime to claim and use central funds is rooted in non-fulfilment of these formal procedures. Comparing Bihar with the other 15 largest Indian states, we demonstrate in our 2011 paper (Mathew and Moore 2011) that the regime failed to claim all the money that it might have claimed under centrally-sponsored schemes, and then failed to spend much of the money that it did obtain, thus reducing the possibility of claiming further money from Delhi. It is not simply that the Bihar state government failed to perform to a reasonable level in conforming to these procedures; it performed worse than other similar states, despite the poverty of its people. The reason was not lack of co-financing capacity; it was that assembling and distributing resources for large-scale patronage was not a priority of the chief minister's electoral strategy. What then was his strategy? From the perspective of his political rhetoric, it seemed to be based in large part on maintaining a high level of antagonistic symbolic and emotive mobilization of the lower caste population against a long history of exploitation by the upper castes. Bharti (1990) gives insight into the way this history was popularly represented:

Dalits and even backward caste people were not allowed to wear good clothes or put on shoes in the villages of Bihar. They could not remain sitting or stand with their heads up before upper caste men or argue with them. Such was the stranglehold of the feudal order in the village that upper caste landlords were supposed to have an undisputed right [over] Dalit and backward caste women.

The Hindi term *izzat*, connoting honor, respect, or self-esteem, featured frequently in Lalu Prasad's political rhetoric. He represented his mission as reclaiming respect and dignity for the ordinary people of Bihar. But, as he interpreted it, that required that the upper castes were to be conspicuously demeaned, slighted, and subordinated. Thakur (2000) quotes from some of Lalu Prasad's speeches:

This government, this power, the state, this is all yours. You have been deprived of your share because those who ruled the state were not bothered about you... But now your man has captured the establishment” ... ‘Burabal Hatao:’ wipe out the upper castes.<sup>9</sup>

If, during one of his many trips to villages, Lalu Prasad was asked to provide better roads, he would tend to question whether roads were really of much benefit to ordinary villagers, and suggest that the real beneficiaries would be contractors and the wealthy, powerful people who had cars. He typically required a large escort of senior public officials on these visits, and would require them humbly to line up on display while he himself was doing his best to behave like a villager. He might gesture at this line-up and ask “Do you really want a road so that people like this can speed through your village in their big cars?” One of his party slogans translates as ‘We need dignity, not development’ (Jha and Ahmed 1995).<sup>10</sup> Of course, Lalu Prasad’s Rashtriya Janata Dal party did not expect its voters to be driven by rhetoric and emotion alone. It provided them with material benefits, but more by allowing them to take advantage of the dethroning of upper castes than through the direct distribution of public resources:

Under RJD rule, upper-caste landed elites found themselves without access to subsidized credit from cooperative banks ...., cut off from sources of patronage and ‘commissions’ that they had long enjoyed through the control of development funds and, above all, deprived of the connections with politicians and the police .... that had enabled them effectively to control labour, protect standing crops from theft and enforce exploitative sharecropping arrangements. This resulted in a ‘democratization of agriculture’ as lower castes progressively took over most cultivation. .... There were many people who actually benefitted from the breakdown of public institutions in Bihar (Witsoe 2012).

Nothing we have said thus far explains why Lalu Prasad did not follow an electoral strategy of combining the material and symbolic humbling of the upper castes and the distribution to these indirect selective benefits to his core voters with the ‘normal’ large-scale circulation of material patronage from public funds. Why choose the first and second, but not also the third? The reason, as evidenced by a range of consistent behavior detailed below, lies in the characteristic composition of that submissive retinue of senior officials that Lalu Prasad liked to exhibit to villagers. Even after many years of his rule, the retinue typically included many members of exactly those castes against whom he was railing. The upper castes had so dominated the public services and the professions in Bihar that it was impossible to dispense with them entirely, and certainly not for senior postings. Furthermore, most members of the population, including Lalu Prasad’s core electoral support groups—the Yadav caste and Muslims—were very poorly educated. Adequate numbers of qualified or competent public servants from the right social backgrounds were unavailable. Nor was it easy to find adequately qualified new recruits. If Lalu Prasad were to either (a) promote economic development through consistent public action or (b) to distribute public resources on a large scale as targeted patronage, he would need to

<sup>9</sup> *Bhurabal* was one of Lalu Prasad’s inventions: a crude acronym made from the names of the Bhumihar, Rajput, Brahmin and Lala (Kayastha) upper castes.

<sup>10</sup> See also J. Witsoe (2012).

rely on—and thus grant considerable discretion and a degree of recognition to—the public servants, especially at senior levels. He chose to prioritize the strategy of visibly humbling and materially undermining the upper castes. That in turn implied consistently weakening the public service.

## The Purposive Deconstruction of State Capacity<sup>11</sup>

Two sets of practices were central to the strategy of undermining the upper caste domination of the (senior) public service. The first was centralization: taking authority and discretionary power away from senior public servants by centralizing responsibility for decision making, even for trivial issues, in the hands of senior politicians. The second was to leave many senior public-service posts vacant because they could not be filled by members of the ‘right’ caste groups. The Lalu Prasad regime pursued these practices to a much greater extent than did other Bihar state governments (that is, those in power before 1990 and after 2005) or other Indian state governments in that period.

In India, any new public spending scheme undergoes departmental scrutiny and must receive the approval of the minister concerned. In Bihar under Lalu Prasad, new proposals had additionally to be screened by a committee of civil servants and then sent for the approval of the chief minister in his capacity as planning minister. If the outlay exceeded the equivalent of about US \$ 50,000—a tiny sum for a government responsible for over 80 million people—the proposal then went to the state cabinet for approval, and then to the Ministry of Finance for vetting before a sanction order was issued (Government of Bihar 2006). The court commissioner appointed by the Supreme Court of India in a public-interest case on the Integrated Child Development Scheme (a centrally-sponsored scheme), had this to say about the \$ 50,000 threshold in Bihar:

There is no such parallel provision in the transaction of business rules neither in the central government nor in any state government. The whole process is time consuming, resulting in delays in release of funds ranging from four to six months. Doing away with this rule in itself will expedite financial releases, giving more time to the field staff to use and then claim second instalments. (Nayak and Saxena 2006)

Excessive centralization was also evident in the case of transfers and postings of public-sector employees. There are 38 administrative districts and 534 of what are called ‘development blocks’ in (post-2000) Bihar. All transfers of staff, down to and including those in charge of activities in development blocks, were done at the state headquarters in Patna, and such decisions were the responsibility of departmental ministers. This delayed decision-making within the public services adversely

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<sup>11</sup> This chapter section in particular is based on the experiences of one of the authors (Santhosh Mathew), who worked for the governments of Bihar and India for over 20 years (since 1990). The information here is supplemented by a series of interviews with public servants and politicians in Bihar in 2005–2006.

affected discipline and lines of control, and consumed the time and attention of senior officers in the state secretariat. This problem was confirmed by a team of World Bank researchers:

...the existing civil service rules envisage a merit-based system of recruitment, placement, promotion, sanctions and rewards. However the system operates in an ad hoc, non-transparent and non-meritocratic manner. Problems related to the work environment (including those faced by women employees), infrastructure, and accommodation, local tensions and delayed salaries together affect staff morale. There also appears to be a breakdown of hierarchy and the loss of control by district magistrates, heads of departments and departmental secretaries over subordinate personnel. The district magistrates appear to be frustrated by centralization, absence of support and understanding from their superiors, and inaction on reports of malfeasance and inefficiency at subordinate levels. (World Bank 2005)

Most central grants to states are released in two or more instalments. The money is routed either to the state government or directly to an authorized operating agency within the state. All money received by the state government is credited to the consolidated fund of the state. There are prescribed procedures for spending money from the consolidated fund. In Bihar under Lalu Prasad, unlike in other states, the state cabinet had to approve all expenditures from the consolidated fund of more than 2.5 million (US \$ 55,000), even for schemes that it had already approved. Consequently, actual spending of the first instalment from Delhi could not even begin until well into the financial year. Since a Government-of-India rule is that 60% of the initial instalment must be spent before a second instalment can be made, this meant that during Lalu Prasad's tenure, the second instalment often was not even requested, or, if requested, it arrived too late to be used in the financial year for which it was sanctioned (World Bank 2005).<sup>12</sup> These kinds of practices underlie our finding, summarized earlier, that the regime failed to claim all the money that it might have claimed under centrally-sponsored schemes, and then failed to spend much of the money that it did obtain.

All engineering work estimated to cost more than about US \$ 2000 needed the authorization of a senior executive engineer. However, the executive engineer had the power to approve payments only up to a limit of about US \$ 10,000. Above that limit, the signature of the superintending engineer was required. The delays stemming from this procedure were made all the worse because of the acute shortage of engineers in the state (Government of Bihar 2006). One reason for that shortage was that the departmental promotion committee would not hold meetings, and when meetings were held, the committee's recommendations would not be approved for implementation. The positions of engineer-in-chief in the two principal engineering departments (the Road Construction Department and the Rural Engineering Organization), all 15 senior engineer positions in the two departments, and 81 out of the

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<sup>12</sup> For example, in October 2002, the relevant departmental committee of the state government approved a proposal for the release of the first instalment of funding for the National Old Age Pension Scheme, another centrally-sponsored scheme. The cabinet also had to approve it, but did not do so until January 2003. By the time the state government requested and received the second instalment, it was already the 29th of March. The financial year ended 2 days later. The money could not be used.



91 superintendent engineer positions remained vacant for a long period of time. Although the problem was less severe at lower professional levels, there were still 1305 vacancies among the 6393 positions for executive, assistant, and junior engineers (Government of Bihar 2006). Officers in posts were required simultaneously to look after three to four offices. Important documents, like schedules of rates for construction work, were not updated for several years. Consequently, construction work that could not be tendered out to contractors was completed using unrealistic and outdated rates for labor and materials, forcing departmental officers to prepare false vouchers and muster rolls to cover costs.<sup>13</sup>

The primary education and health sectors also suffered from a large number of vacancies. In the government health service, 90% of doctors' posts were vacant, as were 95% of posts for paramedical staff (Government of Bihar 2006). Under the Integrated Child Development Scheme, posts for assistants in public child care centers, for which the educational qualifications were minimal, were occupied at a 96% level. By contrast, 85% of supervisor posts were vacant within the same scheme (Nayak and Saxena 2006). Between 1996 and 2006, only 30,000 new primary school teachers were recruited—in contrast to the 90,000 that were required. The pupil teacher ratio, which was already 90:1, worsened to 122:1 (Government of Bihar 2006). The Government of India was willing to pay the salaries of these missing teachers under a centrally-sponsored scheme called Sarva Shiksha Abhiyan ('Education for All'), and put increasing pressure on the Government of Bihar to undertake the recruitment. The state government appeared to concede, but exceeded its powers by changing the recruitment rules so that it would be better able to appoint teachers from within its own electoral base. The courts immediately struck down this move. The state government simply left the positions vacant.<sup>14</sup>

Block development officers and circle officers are the senior officers in charge of development and general territorial administration at the block (sub-district) level. They work at the front line of government, touching the lives of citizens on a daily basis. Yet over a third of these posts did not have a full-time incumbent (Government of Bihar 2006). The Bihar Administrative Service cadre, from which development officers, circle officer, and other senior officers up to the rank of 'additional secretary' are drawn, had 633 vacancies against a sanctioned strength of 2248. The Bihar Public Service Commission, which is responsible for recruitment to the Bihar Administrative Service and the posting of all class I and II officers, had only three members, and the chairman position was vacant for a critically long period (World Bank 2005).

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<sup>13</sup> "There has been an acute shortage of technical personnel at all levels in the Road Construction Department and Rural Engineering Organization. There has not been any significant recruitment at entry levels and promotions have not materialized. The Quality Control Organization in the Road Construction Department is non-functional for want of equipment, chemicals and personnel. Advance Planning Wing is also non-functional. There has been a total collapse of technical administration. This is a serious constraint not only for implementation of works but also for preparing project proposals for getting more funds from the Central Government or other sources" (Government of Bihar 2006).

<sup>14</sup> The author Santhosh Mathew knew of this case from direct personal experience.



It was virtually impossible for most senior officers to perform their jobs with any degree of order or consistency. They were operating more or less in continuous crisis mode, leaving important but non-urgent tasks unattended. Conversations among public servants were peppered with the Hindi word *vyavastha*—coping, just surviving, muddling through. This situation naturally led administrators to turn a blind eye to a range of unorthodox practices, including forgery, embezzlement, and approvals without adequate scrutiny.

There is no doubt that the scarcity of suitably qualified people played some role in these high vacancy rates, but scarcity was actually a minor factor. For many years, with the significant exception of police constables, no serious efforts were made to fill vacancies. For example, a promotion exam was held in 2003 to select government staff as members of the Bihar Administrative Service. The results were declared only in 2005. Following a petition by some candidates, the High Court intervened and ordered an enquiry by the state Vigilance Department. That resulted in the arrest of the chairman of the Bihar Public Service Commission, another member, and seven officials (Balchand 2005). The enquiry lasted 3 years. In 2008, the High Court concluded that the exams had not been properly conducted and cancelled the results (Outlook India 2008). The state government could have expedited this process, but chose not to. There is no scarcity in Bihar of young people qualified for recruitment into India's elite public services, even at high levels. Bihar has for many years been either the largest or second largest source of new recruits into what are called the All India Services (the Indian Administrative Service, the Indian Police Service, and Indian Forest Service) and central services such as the Indian Foreign Service, the Indian Railway Service, and the Indian Revenue Service. The state government preferred not to recruit these people because they were of the 'wrong' social background.

We have thus far provided details on two sets of practices: (a) removing authority and discretionary power from senior public servants by centralizing responsibility for decision making in the hands of politicians; and (b) leaving public service posts vacant if they could not be filled by people from the 'right' caste background. These were the principal means through which Lalu Prasad pursued his electorally-driven goals of changing the caste composition of the public services, signaling clearly to his electorate the priority he attached to that objective, and conspicuously humbling the upper castes who were so closely associated with the public services in general, and senior posts in particular. Other dimensions to this process are explored in more detail in Mathew and Moore (2011).

During Lalu Prasad's tenure, it became standard practice not even to submit the annual state budget to the Legislative Assembly before the beginning of the financial year. Instead, the Legislative Assembly would approve a vote-on-account, which would provide the state government with sufficient funds to operate for a few months until the full budget was presented for approval. This meant that the operating agencies did not know their annual budgets until well into the financial year, and had to submit two sets of paper work, one dealing with vote-on-account

funds and the other with the regular budget (Government of Bihar 2006).<sup>15</sup> After 1990, the standard of record keeping in the Bihar state government deteriorated noticeably. This particularly affected long-serving public officials. Finding records relating to public sector employment, provident fund contributions, and insurance accounts became a major challenge. No systemic efforts were made to computerize this information. In 2005 in the High Court, over 5500 contempt applications were filed against the state government. Over 1500 of these cases concerned the non-implementation of orders for the payment of retirement benefits to former public servants (World Bank 2005).

## Rounding Out the Bihar Story

The various practices described in the previous section led to significant deterioration in the capacity of the state apparatus in Bihar.<sup>16</sup> Had Bihar been an independent country, the damage would likely have been deeper and more lasting, but since it is a unit within a relatively centralized federation, the damage was limited by the extent to which the chief minister could flout law and administrative procedure. Bihar's situation within the federation system seems to have made recovery easier and quicker. After Lalu Prasad lost the 2005 state elections to a coalition headed by Nitish Kumar, leader of another section of the backward caste electorate,<sup>17</sup> the governance situation was so transformed that people began to talk of the 'Bihar miracle.' The dysfunctional procedures discussed above were abolished. The chronic under-spending of public money (relative to approved plans) ceased. The level of fiscal transfers from Delhi increased rapidly, despite the facts that (a) Nitish Kumar's political party was closer to the national opposition party, the BJP, than to the national ruling Congress Party, (b) Lalu Prasad's Rashtriya Janata Dal party was in

<sup>15</sup> Public engineering works were sometimes suspended for these reasons alone, exacerbating the problem that because the state is located on the Gangetic plain and frequently suffers from heavy rains and flooding, works are often interrupted anyway.

<sup>16</sup> The only quantitative data available that enable us to compare Bihar to other Indian states over time relate to *tax effort* over the period 1993/1994–2002/2003. Tax effort measures actual revenue collections by the state government relative to the amount they would be expected to raise given the size and structure of state economies. Lalu Prasad came to power in 1990. In 1993–1994, the Bihar state government was ranked 9th out of 15 larger states in terms of tax effort. By 2002–2003, when Lalu Prasad had been in power for over a decade, it ranked lowest, at 15 (Reserve Bank of India 2005, pp. 18–19).

<sup>17</sup> Lalu Prasad's strategy of offering his electorate psychic and symbolic rather than material benefits became less and less appealing as most parts of India—to which Biharis migrated for work in large numbers—experienced increasingly rapid rates of economic growth. Nitish Kumar promised to bring development to Bihar and built a more powerful electoral coalition, principally by appealing to the non-Yadav backward castes (and extremely backward castes), who were often resentful of Yadav domination (Witsoe 2012), and to the beleaguered upper castes.

alliance with the Congress, and (c) Lalu Prasad himself was railways minister in the central government between 2004 and 2009.

While railways minister, Lalu Prasad gained a reputation for being a very successful reformer, and for being responsible for a marked improvement in the performance of India's over-loaded and under-funded national railway network. It has been suggested more recently that this reputation was inflated and not entirely deserved. Whatever the truth of that, it is clear that Lalu Prasad was a very effective manager of a large, complex organization. The immediate reason, in the Railways Ministry as well as in Bihar earlier, was that he knew how to pick very able right-hand men, and was willing to trust them. This brings us to our final point about his deconstruction of state capacity in Bihar. It was not practiced across the board. State capacity was preserved where it was needed to deliver important selective benefits to the core components of Lalu Prasad's electoral base.

One core component of this base—his own Yadav caste—benefited from a highly uneven pattern of cooperative development. When he first came to power there was in rural Bihar, as in most of India, a wide range of agricultural cooperatives. These were dominated by the main landowners, the minority upper castes. The new government set about systematically dismantling them, first by suspending cooperative statutes and elections and putting the organizations under the direct control of appointed public servants. However, one section of the cooperative movement not only bucked the trend but flourished: the dairy cooperatives. Yadavs are a cultivating caste, but 'traditionally' associated with dairy farming. Similar but more nuanced selective practices within the sphere of policing and security were directed mainly at securing the support of the other main component of his electoral coalition—Muslims. Muslims in India have for several decades been vulnerable to, and the principal victims of, inter-communal violence (Sengupta 2005; Wilkinson 2002). Before Lalu Prasad became its chief minister, Bihar experienced many such incidents, including the Bhagalpur riots in October 1989. Under his rule, the state became something of a haven from inter-communal riots. In 1992, when the struggle that led to the destruction of the Ayodhya mosque was accompanied by communal riots all over India, Bihar was at peace. Lalu Prasad ordered the arrest of Hindu militants when they returned from Ayodhya, and made it clear to senior administrators and police officers that they would lose their jobs if communal violence broke out within their jurisdictions (Wilkinson 2006). It was not that the Bihar police were generally effective in the normal sense of the term. The state remained relatively lawless and, under Lalu Prasad, the business of kidnapping for ransom thrived. Kidnapping was aimed mainly at the upper castes, was believed to be a privilege reserved for some members of the Yadav caste, and to receive high-level political support and protection, if not direct sponsorship. When the government changed in 2005, crime, especially kidnapping, declined substantially (Mathew and Moore 2011, p. 22).

## Concluding Comments

The deconstruction of state capacity in Bihar during Lalu Prasad's rule represented neither a more or less inevitable outcome of historical processes, nor was it simply a matter of incompetence. If not exactly the ideal outcome from Lalu Prasad's perspective, it was the predictable result of consistent, conscious political choices.

We have little idea of the incidences in the contemporary world of the kind of behavior that we have catalogued here: deliberate weakening of state capacity by powerful political insiders who use their position to pursue some other economic or political goal. It is unlikely that such cases are as rare as one might be lead to believe from the literature on successes, failures, and challenges in state building. If we are right, the task of maintaining political order might in many circumstances be even more challenging than the world has tended to assume. State authority may face more recurrent pests, parasites, and predators than we generally appreciate.

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# Chapter 15

## Does Governance Matter in South Asia and Beyond?

Salahuddin M. Aminuzzaman, Ishtiaq Jamil and Sk. Tawfique M. Haque

### Introduction

The discourse on governance yields an unclear answer to the question of whether governance really matters in improving growth, not merely in economic terms, but also in improving the daily life of citizens, especially the poor. The first section of this article highlights trends in the theoretical discourse on governance, outlining attempts to define and assess the construct. Section 2 presents key criticisms launched against donors' perspectives on governance: while critical voices suggest that the way governance has been pursued by external actors is heavily flawed, there is still universal consensus that good governance is sorely lacking in certain countries, particularly in South and Southeast Asia. Section 3 argues that in these regions, citizens' civil liberties and political rights, government effectiveness, rule of law, regulatory quality, and anticorruption efforts have not kept pace with robust economic growth. Section 4 is devoted to summarizing what are perceived as the most interesting and critical observations in the book. Drawing on these and other observations from the first part of the chapter, the question of whether governance matters for the growth outcomes of developing countries is addressed. To make governance matter, there is a need for a tailored approach to governance reform—one that can maximize the impact and outcome of development.

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## Trends in the Discourse on Governance

The literature on governance in the field of public administration is considerable and expanding. Ideas about how to define the concept and how to study and measure the phenomena have proliferated to the point where governance as a construct seems analytically intractable (Offe 2009). That said, it is possible to identify *three broad strands*: the *first* strand concerns definitions and meanings, and particularly addresses the question of what constitutes good governance. This strand postulates three major dimensions of good governance, namely, accountability, transparency, and participation (Landell-Mills and Serageldin 1992). These dimensions have been seen as basic to good governance because they mean the governance structure has built-in mechanisms which ensure that politicians, civil servants, and service providers are accountable to citizens (sometimes described as customers) for their action; their action is guided by clear, codified, and transparent rules of conduct; and citizens have sufficient scope for participating in decision making.<sup>1</sup> The *second* concerns the indicators and measurement of governance. The *third* strand focuses on the conceptual and causal relation (the nexus) between governance and development. Suffice it to say, the three strands are interwoven to the extent that it is seldom possible to discuss them in isolation.

## Defining and Discussing Governance

Governance has been defined and discussed as the *action* of a government; as the *interaction* between governing bodies and non-government partners in the process of governing (i.e., as a collective relationship between economic partners and public policy makers—cf. Boyer 1990, p. 51); as a *process* that is dependent on internal and external actors to achieve goals, especially due to increasing complexity of changes in a particular country or society (Klijn and Skelcher 2007); as a *model* of governing that coexists with a government, but which largely functions beyond the sphere of the government's influence (Aminuzzaman 2013); and as a *manner* in which power is exercised in the management of a country's economic and social resources for development (World Bank 1992). One group of researchers who examines governance based on this latter definition has assessed three aspects (Kaufmann et al. 1999) (1) the *process* by which governments are selected, held accountable, monitored, and replaced; (2) the *capacity of governments* to manage resources efficiently and

<sup>1</sup> International development agencies claim that governance reforms can bring about significant changes in political and economic growth and development. Kaufman et al. (1999) examined the primary data for 150 countries and assessed the variability of the six sets of governance indicators: *voice and accountability, political stability and violence, governmental effectiveness, rule of law, regulatory mechanism, graft and corruption*. The findings of the study have shown that a one-standard-deviation increase in any of the governance indicators causes approximately a 2.5% increase in per capita income, a four-fold decrease in infant mortality, and a 15–25% increase in literacy. This percentage also includes adult literacy.



to formulate, implement, and enforce sound policies and regulations; and (3) the *extent of participation* of the citizens in the affairs of the state.

Governance is thus viewed as the sum of three major components: process, content, and what could be called deliverables. The *process* of governance involves values such as transparency and accountability, and *content* involves values such as justice and equity. But governance is more than this, for it also involves *deliverables*: a government must ensure that the citizens, especially the poorest, have their basic needs fulfilled and have a life with dignity. A dictatorship that delivers services to fulfill citizens' basic needs is no doubt better than a dictatorship that does not, but such does not constitute good governance. Similarly, regular elections alone do not translate into good governance. It is only when all three conditions are fulfilled that governance becomes good governance. With ideas such as these, the focus of the governance discourse turns to assessing outcomes. As Hye (2000) argues, governance is not about the study of the institutions, organs, and the actors involved; it is about the assessment of quality and performance expressed through accountability, transparency, efficiency, empowerment, participation, sustainability, equality, and justice.

## Assessing Governance Outcomes

How should such qualities as Hye mentions be assessed? Hundreds of indicators, both subjective and objective, have emerged to capture the expanding conceptualization of governance. For starters, the World Bank has identified three distinct aspects of governance: (1) the form of the political regime; (2) the process by which authority is exercised in the management of a country's economic and social resources for development; and (3) the capacity of governments to design, formulate, and implement policies and discharge functions (Kaufmann et al. 2002).<sup>2</sup> Based on these *political*, *administrative (or institutional)*, and *economic* aspects, the bank has developed its own methodology— the six Worldwide Governance Indicators (WGIs)—for assessing the quality of governance: (1) voice and accountability, (2) political stability and absence of violence, (3) government effectiveness, (4) regulatory quality, (5) rule of law, (6) and control of corruption. These indicators cover the political, economic, and institutional aspects of governance, and they are normative and strongly associated with democracy and economic development.

Many researchers of course find the World Bank's indicators useful, but they have developed their own understanding of what might indicate good or bad governance. Weatherbee (2004), for instance, argues that good governance understood as an outcome is a dependent variable. The independent variables which he identifies are political will and capacity. The tasks of governance touch nearly every aspect of public life, so should researchers, when trying to assess the composite quality

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<sup>2</sup> Although the World Bank identifies political, administrative, and economic aspects of governance, it was only recently that it started including the political aspects in its policies.

of governance, be examining each and every aspect? Cheema (N.D.) asserts that the *composite* quality of governance can be evaluated by inquiring into the success or failure in attaining the major goals of governance. Some of the most important goals he identifies include (1) securing and defending the integrity of the state; (2) providing for public order and domestic security; (3) promoting political, social, and economic policies in the interest of the public good;<sup>3</sup> (4) implementing those policies fairly and uniformly to the boundaries of the state, and inclusive of all elements of the population; and (5) mobilizing and deploying the resources necessary to perform the tasks of governance.

Contrasting with Cheema's list is that of another leading scholar, Sobhan (1998), who suggests five major perspectives for understanding and assessing the state and the process of governance: (1) the extent of deprivation; (2) the representative nature of institutions; (3) the level of decentralization of governing bodies; (4) the realization of fundamental and basic rights; and (5) the protection of security of life and liberty.

Pro-poor governance is also a new dimension of governance literature that focuses on the importance and measurement of the growth-inequality-poverty nexus. It examines distributive justice as well as the distinction between relative and absolute notions of pro-poor intervention (Resnick and Birner 2006).

Then there is the "system perspective" on politics (Easton 1965), which (Court et al. 2002) have drawn on to identify six dimensions of governance with six corresponding institutional arenas. While the governance dimensions are socializing, aggregating, executive, managerial, regulatory, and adjudicatory, the institutional arenas are civil society, political society, government, bureaucracy, economic society, and the judicial system. Good governance as seen from this perspective concerns how well the governance is structured in a country. The focus is thus on the formal and informal rules in each governance arena. The quality of governance is assessed on the basis of the six universally accepted values of accountability, transparency, participation, decency, fairness, and efficiency in each of the six governance arenas.

Due to the welter of definitions and indicators such as those outlined thus far, it is not surprising that researchers are recognizing the limitations of a generic notion of good governance as a guide for development. Grindle (2004) has accordingly presented a strong case for *good enough governance* as an alternative to the overly ambitious goal of good governance. "Good enough governance", she argues, is the idea of "a condition of minimally acceptable government performance and civil society engagement that does not significantly hinder economic and political development and that permits poverty reduction initiatives to go forward" (Grindle 2004, p. 526).

While the concept and theorization of governance have truly expanded, some critics have suggested that the concept of good governance has actually narrowed the scope of reform agendas and strategies. This view is argued on two grounds. First, the proponents of good governance argue that developing countries should concentrate on doable small reforms because of resource and management constraints. Secondly, it is argued that developing countries, rather than leaping into the

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<sup>3</sup> A corroboration of this point is the study from Bangladesh and Nepal by Jamil & Askvik in this volume: better government performance ensures more trust and confidence in various public institutions.

dark, should replicate best international practices. Indeed, if these arguments truly obtained, they would narrow the scope, but both have been rejected and termed as “faulty” (Khan 2012). The counter argument is that large governance reforms should not be postponed on the plea of lack of resources. Furthermore, the replication of best practices, as empirical evidence suggests, are not always based on contextual realities but on the wishful thinking of the promoters (Ibid). What seems certain, in any case, is that governance processes and mechanisms, as illustrated in conventional development literature, do not necessarily address the needs and priorities of the poor—particularly the ultra-poor.

All in all, the formal definition of governance suffers from open-endedness, vagueness, and a lack of specificity. This situation generates a good deal of debate as to what is or should be the proper meaning of governance, how it should be assessed, and, most particularly, how to achieve good governance (Aminuzzman 2013). Still, the concept of governance has gained immense importance in the development discourse, and there is now universal acceptance of the belief that it should be a crucial element in formulating any development strategy. Nevertheless, the theory of governance is still passing through a development phase, and as we have seen, the concept is defined differently by different scholars.

The concern for good governance in developing countries, which was originally born out of donors’ frustration with the ineffective management of aid, coincided with the shift in focus—from government to governance—in developed countries. ‘Good governance’ gradually became a catch-all phrase incorporated in the policies and administrative reforms of developing countries, especially those supported by international development agencies (UNDP 1997, 2005). The term ‘governance’, which was traditionally understood as synonymous with the term ‘government’, now came to refer to new processes, methods, or ways of governing society (Rhodes 1996). The discourse on governance was thus no longer confined to debates over democracy and its practices, rights, or transparency, but was extended to debates concerned with the interaction between different stakeholders within the state, policy processes, and the evolution and maintenance of political institutions. Under this expanded conception, a government came to be seen as *only one* of the actors in the process of governance, along with civil society and the private sector. So despite a lack of consensus on the definition of governance, it has guided the reform agenda in many developing countries.

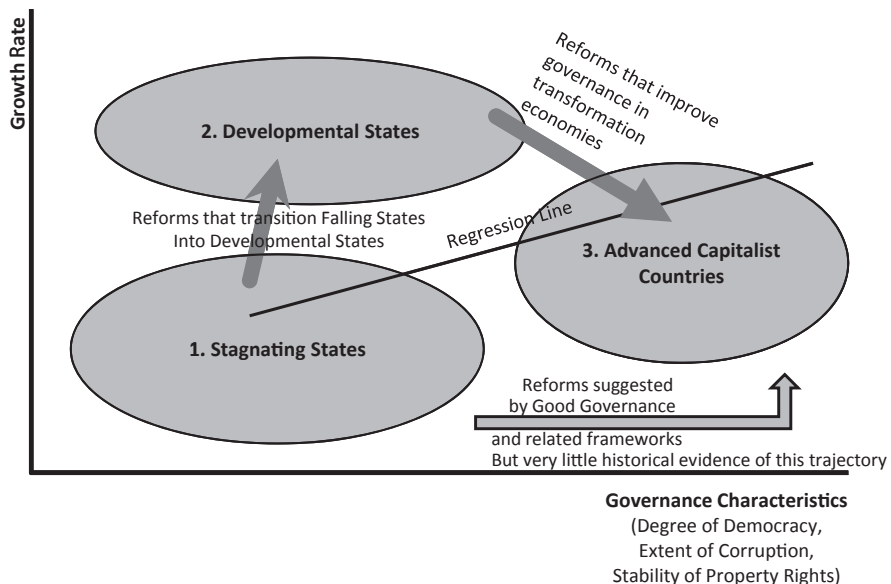
## Criticism of Donors’ Perspectives on Governance

Governance—both as a concept and as an intervention package—is advocated by a number of international, bilateral, and multilateral development agencies. Their conviction is derived from the proponents of New Institutional Economics, who argue that prosperity comes from having efficient markets, efficient markets require low transaction costs, good governance reforms lower transaction costs, and in theory contribute to an efficient market economy.

Some critics, however, contend that many of the governance agendas advocated by the donor agencies are based on a series of economic theories and models that are theoretically weak, and—far more serious—not supported by historical evidence. Khan (2006, 2007) even questions the basic premise of the donor-driven governance reform agendas:

From a developing country perspective, many of the “good governance” agendas advocated by the Bretton Woods Institutions (like democracy, accountability, anti-corruption, rule of law and so on) are desirable on their own terms. [They are] based on a series of economic theories and models that are theoretically very weak, and more seriously, not supported by historical evidence. Many of the econometric results supporting good governance reforms are methodologically weak and often provide misleading results. What is most worrying is that none of the really successful high growth economies of the last fifty years achieved any success in good governance indicators before they became high-growth economies. In other words, the good governance agenda confuses means with ends, instruments with goals, and in so doing, takes our eyes off the really important governance reforms that need to be done in developing countries to accelerate economic and social development. Instead of trying to identify the critical governance capacities we require by looking at the really successful countries in Asia, the international governance agenda foists on developing countries a long series of governance reform tasks that may be impossible to achieve in poor countries. And even if progress could be made on some of these indicators, there is no evidence that this would significantly improve our growth and development prospects.

Khan (2006) further argues that none of the so-called newly emerged economic powers of East and Southeast Asia, not to mention any of the Western developed countries, have ever followed the trajectory of governance prescribed by the international development agencies. He presents the following self-explanatory development model and maintains that governance theories fail to recognize the need for, and existence of, a ‘developmental state’, in order to move towards an advanced, capitalist, and stable state.



## Governance Deficit: South Asia and Beyond

Developing Asia<sup>4</sup> has maintained high growth rates for several decades, and this trend looks set to continue. One assessment of the overall governance scenario in Asia (ADB 2013) reveals that developing Asia as a whole has recorded phenomenal economic growth, when compared with advanced economies, and has been able to close the income gap. An estimated 700 million people have risen out of extreme poverty (defined as living on USD \$ 1.25 or less per day), near universal primary education has been achieved for both girls (89%) and boys (91%), and almost 86% of households now have access to safe drinking water. However, the report also notes that the quality of governance in the region has, to a great extent, reduced the pace of its economic achievements. It is further observed that although the concept of good governance is difficult to measure in its many facets,<sup>5</sup> disparate studies all show that developing Asia's progress has been slow (ADB 2013; Zhuang et al. 2014).

Developing Asia has seen less progress in narrowing the governance gap that partly distinguishes it from advanced economies. When measured with International Country Risk Guide indicators, these countries, since 1993, have shown only modest gains in the rule of law and bureaucratic quality, when compared to ratings of advanced countries. Relative ratings on controlling corruption declined sharply in developing Asia around 1997–1998 (during the Asian financial crises), and they have not returned to the level reached in the early 1990s.

Still, governance performance in the developing Asian countries is quite diverse. If compared with expected governance ratings for its per capita GDP, East Asia shows strong government effectiveness, regulatory quality, and rule of law, but it lags in *voice*, that is, in allowing citizens to meaningfully participate in choosing their government, allowing freedom of expression and association, and allowing the unfettered use of mass media. In South Asia, by contrast, political stability and regulatory quality are the key challenges, but the countries do score higher in *voice*.

According to Worldwide Governance Indicator (WGI) data for 2011, developing Asian countries scored on average even below the Latin American countries in controlling corruption, government effectiveness, political stability, regulatory quality, the rule of law, and *voice*. Factoring in income differences improves developing Asia's global ranking, but still leaves the region lagging behind Latin America in *voice*, regulatory quality, and controlling corruption (ADB 2013).

<sup>4</sup> 'Developing Asia' includes all of the countries in the continent of Asia except for the Middle East (Iran, Turkey and the Arab countries), and excluding the advanced economies of Japan, Singapore, Hong Kong, South Korea and Taiwan. Developing Asia thus includes the two awakening giants of China and India, as well as other large nations such as Indonesia, the Philippines, Vietnam, Pakistan, and Bangladesh. Source: <http://www.economywatch.com/economic-statistics/country/Developing-Asia/>.

<sup>5</sup> These include, but are not restricted to, political stability and absence of violence (*political stability* for convenience), controlling corruption, and *voice* and accountability (*voice*).

South Asia has experienced a long period of robust economic growth, averaging 6% a year over the past 20 years. This strong growth has translated into declining poverty and impressive improvements in human development. Yet poverty remains widespread in many areas, and South Asia has the world's largest concentration of poor people—more than 500 million people live on less than USD \$ 1.25 a day. South Asia has a fairly good track record of democratic institutions, but history reveals that the democracy nurtured by people in their respective countries has not contributed much to change, nor is it at all conducive to the welfare of the people (Cheema N.D.).

South Asia reveals what could be termed a *dual reality*: while experiencing robust economic growth, it is replete with examples of poor governance, which erode the capacity of communities and individuals—especially the poor and disadvantaged—to meet their basic human needs. Social divisions are drawn on ethnic, sectarian, and regional lines, as reflected in many intra-state conflicts. Rampant and arbitrary law enforcement, which is a result of weak government institutions, causes uneven development and access to services, and increasing disparities in income. In fact, the South Asian countries are getting bigger without getting better. They are “too big in unproductive areas and too small in essential areas” (Ibid). They are growing weaker in delivering social services, failing to address and manage macro-economic stability, and failing to ensure that government policies are coordinated (Ibid).

One unique feature of South Asian culture is its strong informal relations based on close family ties. Using such relations, people can succeed in getting things done despite the rigid and hierarchic system, or they can manipulate the system. This simultaneously distorts rule of law and the uniform distribution of resources, and hence distorts good governance mechanisms. This also leads to corruption and the poor exercise and adjudication of the legal system. Those with contacts and networks easily find ways to get what they want, while the majority of citizens find it difficult to maneuver in a complicated maze of patron-clientelism and paternalism. Informalism is therefore a double-edged sword, for it has both positive and negative implications for governance (Jamil et al. 2013). East Asian countries also rely on informal relations—they are called *Guanxi* in China and *Amakudri* in Japan—which help in forging relations with other actors in society, in obtaining business contracts, and in gaining lucrative jobs.

According to an HDC report on human development in South Asia (see Table 15.1), the region is one of the most poorly governed in the world. Almost all South Asian countries suffer from endemic corruption, social exclusion, the disenfranchisement of a voiceless majority, inefficient and irrelevant bureaucratic institutions that are unresponsive to the needs and concerns of citizens, unstable political regimes, and poor economic management. While an overview of the status of democracy in South Asia reveals that democracy is growing stronger in the region, the status of political rights and civil liberties remains depressing. Table 15.1 shows that apart from Maldives, Bhutan, and India, the rankings of Nepal, Pakistan, Bangladesh, and Sri Lanka declined over the past 10 years in terms of civil and political liberties.

**Table 15.1** Ranking in terms of civil liberties and political rights in South Asia, 1999–2007. (Source: Mahbub ul Haq Human Development Centre (2008). *Human Development in South Asia 2007: A Ten-Year Review*. Key: Rank 1 means most free, and 7 means least free.)

Country	1999			2007		
	Political rights rank	Civil liberties rank	Freedom	Political rights rank	Civil liberties rank	Freedom
Pakistan	5	4	Partly free	5	6	Not free
India	4	2	Partly free	3	2	Free
Bangladesh	4	2	Partly free	4	4	Partly free
Sri Lanka	4	3	Partly free	4	4	Partly free
Nepal	4	3	Partly free	4	5	Partly free
Maldives	6	6	Not free	5	6	Not free
Bhutan	7	7	Not free	5	6	Not free

The regions of South and Southeast Asia are in the midst of a remarkable transformation process and are rapidly becoming central players in the world economy. China and India most readily come to mind in this regard, but the relatively quick growth of some other more unassuming economies like that of Bangladesh and Myanmar also adds hope. However, unless the challenges which have already been outlined are significantly addressed, they will mar the potential for a more stable regional order that could complement efforts to strengthen better global governance. With respect to global economic governance and regional security, it is crucial for the countries of South and Southeast Asia to contribute more proactively to the consolidation of regional and global order (Tanaka 2008).

## A Summary of Observations from this Book

To summarize the chapters of this book, we present what we deem to be the most interesting and critical observations:

Governance and public administration are as old as human civilization, which originated in the continent of Asia. The reemergence of the concept of governance, however, is directly related to the rise of contemporary globalization, and through this process, worldwide integration is taking place.

Dominant actors involved in market-driven globalization have played a central role in Southeast Asia in restructuring the state formation towards a transnational neoliberal state, and in implementing public policy and governance reforms.

Certain core values have generated different understandings of power and authority in the different Asian societies. The changing political situation in South Asia has generated a new wave of interest in re-discovering appropriate indigenous models of governance.

South Asia has a unique political culture of negligence, arbitrariness, corruption, clientelism, and nepotism. Yet there seems to be a blind or naive trust in the public



sector. This type of trust seems to be rooted in the social contexts and norms, not necessarily in the statutes and/or law within which public institutions in South Asia operate, behave, and act. Informalism, particularly in the form of paternalism, is equally important in running the affairs of the state.

Parallel to the crystallization of the positive theory of governance in the last three decades, a normative theory of 'good governance', as advocated by the World Bank, has been the central concern of reforms and institutional development processes in South and Southeast Asia. Ironically, empirical evidence suggests that none of the major countries which experienced significant growth (e.g., in economic terms, education, and so forth) in recent years succeeded in upgrading their performance in most of the indicators of governance. Furthermore, assessments of the governance performance of various countries tell different stories.

It is observed that if governance is considered to be an essential precondition for growth, then China should by now have at least met two of the essential conditions: (1) the governance performance should be above average when compared with world standards, and (2) the governance indicators should have registered improvement during the last two decades. Neither of these propositions is supported by empirical data.

Similarly, the acceleration in India's economic growth in the last decade cannot be considered as contributing to a noticeable improvement in governance. Rather, empirical evidence suggests that governance in India has declined in the critical areas of democratic governance, political stability, regulatory quality and control of corruption, and rule of law.

Bangladesh also recorded strong growth and surprising macro-economic performance, but neither has its relatively poor performance in the area of governance changed for the better.

External actors and donors heavily influence governance practices, processes, and public policies. It is argued that these external forces have caused 'design flaws', which have to a great extent distorted governance reforms. Furthermore, there seems to be no single best-practice model that could function as a paradigm for governance reforms.

The concept of good governance itself has turned out to be counterproductive. Thus there appears to be a need to indigenize the contents of governance reforms. This could help to ensure local ownership as well as help reformers hold in mind contextual realities as they implement governance strategies.

Civil Society Organizations (CSOs) collaborate with governments through institutional processes. The publicness and responsiveness which the CSOs provide have opened new windows of opportunity to collaborate with government institutions. This collaborative process has helped in establishing some of the 'soft' components of governance such as human rights, inclusiveness, social and community accountability, and responsiveness.

Asian experiences further reveal that rights-based approaches tend to establish legal rights to entitlements. Participatory monitoring and evaluation tools such as citizen report cards, community score cards, social audits, and grievance redress systems have made a significant impact on governments, causing them to be more

responsive. The practice of directly involving communities in delivering public services gives beneficiaries more information and a greater say in how funds are used.

Since developing countries lack the resources and capacity to establish good governance, it is necessary to search for suitable alternative strategies for incorporating arrangements that could lead to improvements in the governance system and processes.

However, it needs to be acknowledged that given the state of affairs in South and Southeast Asian developing countries, it is difficult to comply with the demands and conditions of establishing the World Bank model of governance, and the likely prospect of success is also slim. Developing countries find it impossible to eliminate problems that have accumulated and been compounded over a long period of time.

Does Governance Matter? Yes, No, or Maybe

Developing Asia's ranking amongst global regions generally improves after factoring in income differences, but as we have seen, it still lags behind Latin America in controlling corruption, regulatory quality, and voice.<sup>6</sup> The differences on governance within developing Asia are further magnified when income differences are considered. The region's relative economic success would appear to strongly contradict the good governance principle that intuitively accompanies development (Quibria 2006).

The disconnection between Asia's rapid, sustained growth and its tardy improvement of governance is often viewed as a paradox that calls into question the conventional wisdom that good governance is a critical driver of growth. A popular way to explain away Asia's growth-governance conundrum is to simply describe Asia as different from the rest of the world. Empirical evidence suggests that Asian countries at least share a broadly similar relationship between governance quality and development performance, but that the relationship is stronger in the areas of government effectiveness and regulatory quality than in the area of voice.

An exploration by Quibria (2006), of the relationship between economic growth and governance performance in Asian developing economies yields two conclusions that add interest and force to those presented in this book. First, notwithstanding its tremendous economic achievements, the state of governance in Asia is not outstanding by international comparison. Indeed, a majority of these countries seem to suffer from a governance deficit. Secondly, contrary to the general expectation, data do not suggest any strong positive link between governance and growth: paradoxically, countries that exhibit surpluses in governance grew on average much slower than did those with governance deficits. As a matter of fact, the comparison of growth performance, governance surplus, and governance-deficit in South and Southeast Asian countries presents a big puzzle. The countries generally exhibit a noticeable deficit in governance, but they outperform in economic management and growth. This certainly does not provide a ringing endorsement to the general notion that governance makes a critical difference in the growth outcomes of countries.

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<sup>6</sup> Not surprisingly, these three elements of governance show the widest gap between developing Asia's average and that of the advanced economies: a difference of 0.77 points on voice, 0.67 points on regulatory quality, and 0.78 points on controlling corruption (ADB 2013).

Good governance is increasingly recognized as not only a goal in itself but also a means to economic growth and improvement in other development indicators<sup>7</sup> (Rotberg and Gisselquist 2009). Resolving the conundrum of the governance-development nexus has been an important area of policy research and discussion in recent years (Grindle 2004).

## The Relationship between Governance and Development

There is an emerging attempt to focus anew on governance and how it relates to development. A new framework for this governance-development nexus (ADB 2013) would suggest that there is a need for a tailored approach to governance reform that can maximize the impact and outcome of development. Policy makers would therefore need to focus their efforts on the particular governance deficiencies that hold their country back from its next stage of development. Strengthening government effectiveness, improving regulatory quality, the rule of law, and scaling up anticorruption efforts may provide some entry points for wider governance reform.

The chapters in this book demonstrate that a critical area of concern for governance is to maintain an environment that is supportive of growth whilst also implementing policies that respond to the rising aspirations of the populace. As the income of citizens improves and access to technology expands, citizens are demanding a greater say in national affairs; they seek increased participation in running the affairs of the state, and increased accountability from the government.

As the discussions in this volume make clear, governance encompasses a wide range of issues. Because its trajectory is anchored in the divergent historical and cultural legacies of each particular nation, it varies in terms of its use and consequences. Despite its different uses under different regimes (whether democratic or authoritarian), one feature common to many countries in Asia is remarkable efficiency in economic governance. The regions of South, South-East, and East Asia have achieved stable economic progress over almost a decade through liberalizing markets, deregulating rules and procedures, privatization, attracting foreign direct investment, providing investors with various tax incentives, and protecting the rights and property of investors. All these initiatives have contributed to positive economic growth, a relative reduction of poverty, better infrastructure facilities, and better education and health services. However, in terms of democratic governance, the South, South-East, and East Asian nations have lagged behind in allowing citizens to participate meaningfully in policy making, and in government officials and public institutions earning the respect and trust of citizens through increased trans-

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<sup>7</sup> The Index of African Governance is a project geared towards measuring and assessing the quality of governance across Africa's 53 countries. It focuses on performance in five areas: Safety and Security; the Rule of Law, Transparency, and Corruption; Participation and Human Rights; Sustainable Economic Opportunity; and Human Development. Using 57 indicators, the Index offers a report card on performance in each country.

parency, impartial decision making, accountability, and strengthened democratic values. The future challenge of governance in these regions is to promote more decentralization and to include various stakeholders (both private and civil society actors) in the policy making process. This may help regimes and public institutions gain greater legitimacy and citizens' trust.

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