



Governance

Introduction to Governance

Governance first appeared as a means for understanding university structures in Arthur L. Carson's seminal piece in 1961, where it was used to differentiate between administration and management.¹ It was then applied to governments and later to businesses, reflecting the changes in the organization of power both within the corporate world and the relationship of governments and citizens.

The general usage of the term has brought with it a vagueness, as the relationship between an analytic framework and operational boundaries has been indeterminate. Under these circumstances, governance risks becoming a substitute for administration or management, without the precision that those terms enjoyed in the past when distinctions between the public and private sectors were considerably clearer. If the term is to be of utility commensurate with its general use, then there is a need for precision, both in the analytic framework and the operational definition. ISE's multi-functional framework of state functions has been based on a distinctive concept of governance.

The objective of this sourcebook is to provide an analytical definition of governance that is then illustrated through detailed operational examples so that readers of sourcebooks directed at each of the specific ten functions of the state have a clear view of why state functions are framed in terms of governance and why each of the functions must be understood both in their own distinctive terms and as part of a cohesive whole.

We use the phrase "rules for creating decision rights" to help define governance to avoid the confusion between institutions as the rules of the game and organizations as the vehicle for implementation of these rules. Without the specification of decision rights, the rules of the game remain at such a level of generality that obscures the distinction between constraints as positive boundaries between which actions and decisions can be made, and negative boundaries

where decision rights are contained. Rules, we argue, create positive boundaries by specifying the domain of flexibility and autonomy for action – which allows for authorities to be exercised. Negative constraints define the limits of where exercising of power becomes a violation of authority, illegal or criminal. A focus on decision rights rather than abstract rules of the game allows for an exploration of rulemaking as a sometimes static, sometimes dynamic process. Chess, the most important illustration of a game that cannot exist without rules, is an illustration of a game where, without an understanding of the agreement of the two players on the rules, outsiders cannot independently gauge what the rules are or that the two players have agreed on them.

Equally important, for a game to remain dynamic, the referees and rule-makers must adjust the game. This cannot be done without the decision rights to empower the stakeholders and the referees with reflexively monitoring and changing the boundaries of the rules.

A New Beginning

There has been a consensus on the central importance of governance in state-building for the last two decades. The promotion of good governance, particularly in developing countries, however, has still proven difficult.

These difficulties have stemmed from several factors:

1. Instead of clarifying problems and focusing on the design of governance as a system, pre-existing solutions have often been offered without a grasp of context.
2. Legal reforms have been often separated from both understanding of organizational and cultural context, and have lacked detailed focus on a user perspective in general and citizen perspectives in particular.
3. Issues of leadership and management through the clear delineation of decision rights, in relation to objectives to be achieved, have not received attention.

1 Arthur L. Carson, "Higher Education in the Philippines," U.S. Department of Health, Education, and Welfare (1961), <http://eric.ed.gov/?id=ED544129>.

4. In the context of poor governance, the focus has been overwhelmingly on what does not work, instead of what works. Similarly, the focus has been on needs rather than existing assets that can be mobilized.
5. Governance as active learning requires reflexive monitoring, feedback and a willingness to undertake constant adjustment and change. These mechanisms have often been neglected.

This sourcebook provides policymakers, practitioners and analysts with an analytic framework that cuts across core state functions to be able to see the forest without losing sight of the trees. The discussion of governance must be built on a foundation that balances analytic and operational concerns simultaneously.

We, therefore, define governance as containing the following key elements:



Rules for creating decision rights



Decision processes for setting objectives, allocating resources and assigning people to tasks



Guidelines for understanding and managing relationships between individuals, organizations, interest groups, networks and systems



Mechanisms for decision-making, creating accountability and feedback loops and revising governing rule sets

Keys to Governance

There are various critical aspects of evaluating governance and implementing change and transition within the area of governance:

Understanding the context

We view rules as resources, not constraints, as they establish clear and useful boundaries between what is permissible and what is forbidden, and enable the establishment of decision rights or authorities. As such, the creation of rules must be grounded in an understanding of the problems that need to be solved. This requires design thinking rather than planning, for the former focuses on *problem-setting* first, while the latter focuses on *problem-solving*. It must be immediately added that planning is necessary, it is just that in the sequence of governance interventions, planning must come in sequence after design, and not as a substitute for it. The sourcebook offers illustrations of these distinctions in practice.

Getting the design and implementation right

Viewing rules as resources permit us to pay close attention to both the user and citizen perspective. Public policy, both in developed and developing countries, has been haunted by the problem of good intentions and unintended consequences, for policymakers have often assumed that they know what is best for a specific group of users or citizens in general. The problem of implementation has rarely received serious attention, and backward mapping, a concept that was formulated in the 1970s to clarify the relationship between objectives and policymaking, has been all but forgotten. To introduce backward mapping to governance, we are focused on how decision rights establish and relate individuals, organizations, interest groups, networks and systems. By beginning from the premise that individuals, organizations and interest groups build and change organizations, and enter and exit from networks, the linkage between decision rights and how people and groups maneuver can be grasped in a specific context, rather than abstract terms.

The concept of governance, it is worth noting, was coined over 50 years ago for application to universities, where the complexity of interactions between various stakeholders required articulation of a notion that was different from both administration- then applied to government – and management- then reserved for business. The elevation of the concept to an overarching term of discourse and practice we argue now reflects the changes in the organization of power both within the corporate world and the relationship of governments and citizens.

Leadership and management

Leadership and management, as John Kotter has frequently commented, are different. Depending on the context, a task sometimes requires 90 percent leadership and 10 percent management, and at others, 90 percent management and 10 percent leadership. Focusing on the corporate world, Kotter and other commentators on the private sector do not sufficiently explore the centrality of rules, establishing decision rights, and the maneuvering and strategizing of individuals, organizations and interest groups. But the business literature does offer lessons for relating decision rights to processes for setting objectives, allocating resources and assigning people to tasks. O'Malley and Tushman, for instance, have developed a detailed methodology for organizing decision processes around critical tasks, people and resources. Systems of accountability for leaders in the public and private sectors differ, as both the authorizing environments and authorities to be exercised are subject to different degrees of public scrutiny.

Our work both in and with leading development organizations shows that middle and lower levels of management, and the services they

provide, often do not figure into high-level analyses. Instead, the overwhelming emphasis is placed on the notion of champions, a contemporary revival of the notion of Carlisle's charismatic leader. If the promise of governance is to be realized, then a system perspective has to be established to relate rulemaking in general terms to specific mechanisms of decision making, setting of objectives, creation of processes, and assigning of people to tasks. As the specific task-oriented sourcebooks in the series will show, the problem must be tackled at two levels: the specific core state function, and second synergies and linkages among state functions to allow for distribution of risks and utilization of capabilities across functions.

Feedback loops and monitoring

Rules become institutions through prolonged and repeated enforcement, but being of human making, any set of rules will have to confront the problem of time and changing context, as time itself results in a change of context. Moreover, repetition reveals gaps between the objectives set and the processes created to achieve the objectives. Feedback loops, therefore, are essential to giving a system of governance both continuity and flexibility.

Continuity is essential, as otherwise, individuals, organizations and interest groups will not be able to plan with certain assumptions regarding context. Our detailed empirical work shows that when formal rules constantly change, then informal rules and practices become prevalent, creating problems of irrelevance, skepticism and cynicism regarding the government, and worse, creating huge opportunities for corruption, and informalization and criminalization of economies and polities. Flexibility, on the other hand, is essential to acknowledge gaps and account for the entry of new stakeholders, whether as social categories and groups, or new social, economic and political interests that have materialized. Ensuring that these new entrants and organized forces play by the rules and find the system responsive to them is required for trust in the system of governance. This has often occurred via the extension of citizenship rights, where movements and groups point to the failure of the state to uphold the social compact and demand more inclusive policies; with successful states positively responding to these calls for action and improving their relations with citizens and, by extension, their ability to govern. Understanding strengths and weaknesses within systems and promoting flexibility, therefore, becomes key to system continuity.

Building on assets and examples of success

The proliferation of indices on various components of governance has provided data and points of reference on poor governance. What these indices do not reveal, however, are the assets,

capabilities and pockets of success - even in countries with very difficult governance environments. Beginning from the premise that "nothing is working" has often resulted in the approach of importing wholesale external solutions. Russia after the collapse of the Soviet Union was one example of such an approach. But the application of a governance framework through a World Bank program for the Russian coal sector allowed for the application of the concepts of stitching and tailoring to get maximum buy-in and ensure sustainability. Russian coal miners, like other workers in the Soviet economy, had never been paid in full and on time. In 1996, the crisis had reached a proportion where cash had disappeared from the economy, and barter had become the prevailing method. The program devised a system of payment to individual miners by connecting components or pockets of good governance that had existed in isolation but had never been linked to a system. The result was full delivery of wages and social benefits within six months, and its continuation during the five years of engagement of the World Bank with the program. As no external consultants were involved, the system acquired strong Russian buy-in and was subsequently replicated in other sectors by the Russian government. This sourcebook will illustrate some examples of success, but other sourcebooks on the other functions of the state will contain a more in-depth analysis on the governance of the function and breakthroughs in the issue area.

The Governance sourcebook is necessarily broad, and as such cannot drill down into specific aspects of governance in the kind of depth that some practitioners might need. Therefore, this sourcebook is complemented by other ISE sourcebooks and toolkits covering issues ranging from security to national accountability systems and infrastructure to citizen engagement. Governance as a process is integral to all these issues and effective governance systems require renewed approaches based on mutual understanding between leaders on the ground and external supporters who have the strength to deal with those issues.