Chapter 9
Dimensions of Good Governance: An Empirical Study

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ABSTRACT
Effectiveness of governance is realised through its responses to any financial crisis. This was put in question as the Great Recession affected the core economies severely. This study empirically investigated the relationship between accountability, corruption, and government effectiveness during the period 2002-2012. Our main purpose was to highlight the sizable gap that exists in the performance literature on cross-country studies especially against the changing economic world scenario. A comparison of the World Bank governance indicators between three countries chosen on the basis of income differentials and hence different adaptive characteristics of each country to the economic recession has been studied. The behavior of the governance indicators in the context of the world has been examined against the background of the shock that the depression had brought and the resilience factors embedded within the indicators in the face of the shocks were studied.

INTRODUCTION
“Governance” is the process of decision-making and involves the process by which decisions are implemented (or not implemented). Governance can be used in several contexts such as corporate governance, international governance, national governance and local governance. Since governance is the process of decision-making and involves structural and legal framework through which such decisions are implemented, an analysis of governance focuses on the formal and informal actors involved in decision-making and implementation of such decisions. Government is one such actor in the governance process. Other actors involved in governance process vary depending on the level of governance that is under discussion. In rural areas, for example, other actors

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may include influential landlords, associations of peasant farmers, cooperatives, NGOs, research institutes, religious leaders, financial institutions, political parties, the military etc. The situation in urban areas is much more complex. At the national level, in addition to the above actors, media, lobbyists, international donors, multinational corporations, etc. may play a role in the decision-making or in influencing the decision-making process. All actors other than government and the military are grouped together as part of the “civil society.” In some countries, in addition to the civil society, organized crime syndicates also influence decision-making, particularly in urban areas and at the national level. Similarly formal government structures are the means by which decisions are arrived at and implemented. At the national level, informal decision-making structures, or informal advisors may exist. In some rural areas, locally powerful families may indulge in decision-making and/or influence the decision-making process. Such, informal decision-making is often the result of corrupt practices or leads to corrupt practices.

Good governance implies that the authority should work based on a broad purpose – the good of the people being governed. Good governance has 8 major characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. It ensures that corruption is minimized and takes cognizance of the views of minorities in decision-making to ensure peace, security and prosperity of the people. It is also responsive to the present and future needs of society. Equitable participation by both men and women is a key cornerstone of good governance. It could be either through direct or legitimate intermediate institutions or through elected authorized representatives. It is important to note that representative democracy does not necessarily imply that the concerns of the most vulnerable in society would be taken into consideration in decision making. But it needs to be informed and organized. This means freedom of association and expression on the one hand and an organized civil society on the other hand. Good governance requires fair legal frameworks that are enforced impartially. It also requires full protection of human rights, particularly those of minorities. Impartial enforcement of laws requires an independence within the judiciary and an impartial and incorruptible police force. Transparency presupposes the fact that decisions are taken based on consensus and within the boundaries of established and accepted legal and structural frameworks in vogue. It also implies that information is freely available and directly accessible to those who will be benefitted/affected by such decisions and their enforcement. It also implies dissemination of information in intelligible forms through media. Good governance requires that institutions and processes try to serve all stakeholders within a reasonable time framework.

There are several actors and as many viewpoints in a given society. Good governance encompasses the process of mediation of conflicting/diverse interest groups prevailing in society leading to a broad consensus, keeping in perspective society’s best interests. It also requires a broad and long-term perspective on what is needed for sustainable human development and how to achieve the goals of such development. This can only result from an understanding of the historical, cultural and social contexts of a given society or community. Society’s well-being depends on the inclusiveness that is followed and fostered among the members to make them feel as stakeholders in the mainstream of society. This requires all groups, but particularly the most vulnerable, have opportunities to improve or maintain their well-being.

Good governance means that processes and institutions produce results that meet the needs of society while making the best use of resources at their disposal. The concept of efficiency in the context of good governance also covers the sustainable use of natural resources and the protection of the environment. Accountability is a key require-
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