Understanding Governance: Theory, Measurement and Practice

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Preface

The art of good governance has been of predominant importance for human civilization from the very beginning. However, the runaway development in all thinkable domains in the past few decades that has been accompanied by serious turbulences and transformations poses new dilemmas and calls for new answers.

The present volume of CESES Working Papers series consists of four articles in which authors attempt to employ this newly defined epistemological perspective. The first paper, written by Martin Potůček, deals with the possible contribution of public policy as both scientific discipline and societal practice to the concept and practice of good governance. The second article, written by Arnošt Veselý, reviews theoretical approaches to governance and suggests conceptualizing it as a multidimensional term. Martin Nekola in his article focuses upon various approaches to governance measurement and the weaknesses and strengths of different sets of indicators for international comparisons and monitoring changes during time. The volume is concluded by another Martin Potůček’s paper that analyzes and compares the capacities to govern in selected Central and East European countries with the situation in the countries with a longer tradition of democratic public policy and administration using the expert survey methodology.

We hope the present volume will provoke fruitful debate and open new views on this crucial issue. We will be very pleased with your critical reflections to ceses@mbox.fsv.cuni.cz.

The Authors

Prague, June 2004
Public policy: Bridge over Troubled Water?¹

A public lecture on the occasion of the granting of the Alena Brunovská Award for Teaching Excellence in Public Administration at the 12th Annual NISPAcee Conference, Vilnius, May 13, 2004

Motto:

„An nescis, mi fili, quantilla prudentia mundus regatur.“

“You have no inkling, my son, what little knowledge it takes to rule the world.”

Pope Julius III (1550-1555)

By Way of Introduction

In the Central and East European countries, public policy is still rather a rare, we might even say alien, beast. Let me therefore attempt a general reflection on its status and potential bonuses. And let me say that many of the problems we encounter in our countries duly reflect problems experienced in more general terms by the entire humankind.

1. The State of Humankind

Surely, you will not be caught by surprise to hear me say that the world is not developing along the easy way. Arguably, tensions, conflicts and sudden twists and turns have been an inherent part of the civilization’s development from time immemorial.

What, then, sets ongoing changes (sometimes referred to as the third transformation) apart from the changes of the past, and is there a difference at all? Actually, there are quite a few differences, and these can be defined as the following fundamental developmental disparities:

- Even though humankind has installed a number of international organizations and mechanisms in order to tackle its shared problems, the world has probably never been a more dangerous place (unilateralism, weapons of mass destruction and other previously unheard of means of annihilation, state-sponsored and international terrorism, global warming indicated by an exponential curve, plus other environmental risks.).

- Mankind may well be able to produce ever more resources, but - their consumption already now is 20 percent over their self-renewal capacity on planetary scale;

¹ „To be published in the Proceedings from the 12th NISPAcee Annual Conference „Central and Eastern European Countries inside and outside the European Union: Avoiding a new divide“, Vilnius, 13.-15.5. 2004, edited by Gyorgy Jenei.“
- all efforts for their equitable distribution and use over a long term have failed in principle (consider the gigantic disproportion between arms spending and war effort on the one hand and help to marginalized and deprived individuals on the other hand).

- Globalized financial markets apply the maximum-rent seeking strategy against individual countries. The global market speaks a single universal language – it is the money that talks. Conversely, nation-states, in their effort to reach understanding, cooperation and harmonization of their policies, have to grapple with too many cultural, linguistic, value-oriented and general civilization differences as well as inherited prejudices to be tackled, let alone overcome, in a swift and efficient manner.

- Globalization, regionalization, the emergence of horizontal cooperation networks, the overlapping of the market, the government, and the media, all this renders responsibility for the consequences of political and administrative decision ever more obfuscated.

In addition to coming to terms with these global developmental changes, the Central and East European countries have had to tackle the unprecedented task of parallel transition from centralized planned economy to a market one, from an autocratic political system to democratic pluralism, and from authoritarian public administration to one conceived as a service to citizens.

In spite of the obvious – and partly or at a limited territory even viable – efforts to assert humanistic ideals and rational solutions, one is not in a position to claim that irrational attitudes towards the steering of human affairs (with all their adverse impacts on humankind) has been on the retreat. The plausible conclusion is that humankind has not yet learned to manage its own affairs well. The human race has unleashed such dynamic and uncontrolled civilization changes that the methods of governance inherited from the past centuries hopelessly trail behind the actual developments. This situation creates dangerous hotbeds of conflicts and tensions that fan the flames of destruction and doom.

2. The Roots of Bad Governance

It is the chief presupposition of enlightenment that the power of reasoning has been bestowed upon us to use it in solving the task that we are facing, no matter how challenging and extensive they are. Unless one gives up trying and elects to identify with this assumption, one inevitably must ask where the roots of insufficient capacities of governance lie so as to be able to seek and find a remedy.

Let me try to single out a few crucial neuralgic spots characteristic of the methods of governance as we know them, and to offer a possible way how to approach and treat them:

- Disproportion between the global regulatory power of the market and the absence of a global level of public administration; the remedy is indicated by Europe’s integration trends as represented chiefly by the European Union and similar (albeit not as well developed) efforts on the level of other world organizations or political summits.

- Lack of sufficient coordination on the global, national, regional and local levels of administration; the remedy possibly lies in networks supported by modern information technologies and in new regimes of public administration based on shared responsibilities.

- Differentiation of the living conditions and lifestyles carries the destruction of the organic
forms of social cohesion; market liberalization leads to the weakening of institutional forms of maintaining the conditions of social cohesion – Welfare State. The largely defensive remedy against these pressures is quick adaptation of informal assistance, civil sector institutions and the welfare state to the changing conditions.

- For all the lofty slogans preaching environmental considerations and sustainable development, it is not considerate attitudes to the other forms of life and the fate of the generations to come, but rather, it is the selfish and short-term interests of individuals and corporations geared towards maximum profits that prevail. Change may only come through conscious modesty as a lifestyle and effective regulation which would protect long-term public interests.

- Lack of responsibility on the part of the political representation, and lack of responsibility for public affairs on the part of the citizen, adds up to a multiple effect. Neutralization of this negative feedback is in upbringing and education for civic virtues and in bringing all forms and frameworks of participative and direct democracy on equal footing with the traditionally better-developed democracy through representation (which, however, is no longer able to keep in step with the developmental dynamics and growing complexity of the public political roles).

3. Public Policy as a Tool of Supporting Good Governance in Central and Eastern Europe

Public policy is both a scientific discipline and a societal practice. As a scientific discipline, public policy offers the cognitive instruments helping to understand the nature of such societal problems as crime, unemployment, access to education and health care etc., their causes and consequences, as well as to elaborate the best ways of their solution. As a societal practice, public policy comprises the ways by which democratic societies are trying to identify and solve such problems.

Public policy as a scientific discipline uses the terms of reference of sociology, political science, economics, law, organizational science, public administration and other disciplines for analyzing those processes of formulating and implementing differentiated public interests used to resolve specific problems connected with the life of humankind. At the same time, it is devoted to the institutionalized management of these processes via the public, civic and to a certain degree the commercial sector in a form that can be used in political practice. Public policy is therefore a scientific discipline *sui generis* that cuts across many other scientific disciplines.

4. Public Policy as a Scientific Discipline

What is the situation of public policy as a scientific discipline in the Central and East European countries? Unlike the United States where public policy began to take shape during the 1960s, change in our region was not brought about until after the collapse of communism in the early 1990s. Today’s capabilities duly reflect this delay in time. Although there exist a number of think-tanks here that are working to develop analytical and advisory activities derived from the theoretical concepts and implementing the methods of this discipline, such efforts have yet to overcome their teething problems such as ideological, methodological and/or disciplinary bias as well as short-termism. Another problem lies in the often not-too-sufficient differentiation between critical scholarly advice and pragmatic political service as is apparent in the activities of some public policy think-tanks and/or individual analysts. The educational
capacities of public policy are quite modest – complete university programs are available only in a few countries of the region. Likewise, public policy education in in-service programs for civil servants is every bit as marginal and rudimentary.

However, the educational base is gradually extending. Last year, NISPAcee supervised the release of a textbook that reflects specific public roles facing public policy in this region.

5. Public Policy as a Societal Practice

In this region, public policy practice maybe lags behind the requirements more severely than public policy theory. Without attempting to give you an exhaustive overview, I would like to point out the chief deficits of good governance in individual nation-states:

- Weak governments tend to have meager means and resources to enforce vital structural and functional change in the economy and policy. This is due to Constitutional limitations (such as the proportional election system or limited powers of the central governments) as well as insufficient support from political parties, and their (often fragile) coalitions.
- Representation of group and individual interests through political parties is far from perfect. The party system is unstable and the parties’ internal management and funding is not transparent. Recruitment and party life are low-profile and thereby not conducive to improvement in the field of human resources. Party oligarchy calls the tune.
- Insufficient capacity for strategic management gives precedence to the satisfaction of selfish and narrow-group interests to the detriment of public and long-term interests.
- Government ministries poorly coordinate their activities.
- Political and administrative decisions are made and enforced without sufficient analytical support or stem from limited single-disciplinary analysis.
- Communication between the actors on the public stage in the course of drafting, adopting, implementing and evaluation of policies is insufficient and lacks expert and capacity-backed support. The same holds true of communication between actors in the public, commercial and civil sectors, as well as politicians, officials, academics and citizens themselves.
- Internationally tried and proven methods of administration and management, such as multi-year financing, performance auditing, target programming, target-oriented management, matrix organizational structures etc., are not applied efficiently.

6. In Conclusion

All in all, there exists enormous need in Central and Eastern Europe of the further development and perfection of public policy as a scientific discipline as well as educational program delivered by universities and included both in the in-service training programs and in societal practice. To support its development is to significantly reduce huge political losses brought about by bad governance. Its innovative potential is therefore quite massive and indispensable. Yet still, many obstacles and hardships lie ahead.

The ideal model of good governance is not known, and probably never will be. What really counts is the speed of transformation whereby every innovation of governance enabled by public policy will have ceased to fully meet the challenge the minute it was introduced. We are zeroing-in on a habitually fugitive target. It is therefore not for me to claim that Central and Eastern Europe is not in for developmental setbacks or local disasters caused by the significant failure of public policy, as evidenced by the recent developments in the Balkans.
A well developed public policy or the lack of it may be that proverbial tip of the scale. The Network of Institutes and Schools of Public Administration in Central and Eastern Europe is instrumental today and will probably be instrumental tomorrow as well. This is the behest of its founder, Alena Brunovská, and today I accept the award named after her with pride, gratitude, and the feeling of great commitment to her legacy.

Literature

The paper suggests multidimensional approach to governance. First various concepts and definitions of governance are briefly reviewed. It is argued that none of them can claim exclusive applicability because governance is not a zero-sum game where one actor or steering mechanism can gain only at the expense of others. Rather governance must be specified for every given purpose using four basic dimensions: level of governance, modes of governance, dynamics of governance, and normativity. Lastly preliminarily classification of governance topics is given.

Abstract

The paper suggests multidimensional approach to governance. First various concepts and definitions of governance are briefly reviewed. It is argued that none of them can claim exclusive applicability because governance is not a zero-sum game where one actor or steering mechanism can gain only at the expense of others. Rather governance must be specified for every given purpose using four basic dimensions: level of governance, modes of governance, dynamics of governance, and normativity. Lastly preliminarily classification of governance topics is given.

1. What is Governance?

The concept of governance witnessed a rapid boom in usage during 1990s. It is still, however, a confusing term. It is an umbrella concept under which a range of quite different ideas is discussed (see Box 1). The term is employed for various purposes across disciplines as diverse as economics, international relations, political science and public administration and management. As with others lately fashionable terms – such as ‘social capital’ or ‘networking’ – it has been used in so many different contexts and disciplines that it can mean both anything and nothing.

According to the Concise Oxford Dictionary, governance is ‘the act or manner of governing; the office or function of governing’. To govern is ‘to rule or control with authority; to be in government’. This definition thus places governance merely in the hands of governments. However, the common usage of governance is much broader and in fact is often contrasted with limited concept of government. Lexicographically, the term ‘governance’ is derived from the Latin ‘cybern’ meaning ‘steering’. Steering is indeed at the heart of current debate on governance (Pierre and Peters 2000).

Box 1 - Various Concepts of Governance

1. Governance as the minimal state where governance becomes a term for redefining the extent and form of public intervention (Gray 1994, Rhodes 1994);
2. Corporate governance, which refers to the way big organizations are directed and controlled (Charkham 1994, Hilmer 1993, Tricker 1994);
3. Governance as New Public Management which distinguishes between government and governance, as expressed in Osborne and Gaebler’s often quoted phrase: ‘less government and more governance’ (Osborne & Gaebler 1992, Rhodes 1997);
4. Governance as advocated by the World Bank under the heading of ‘good governance’ (World Bank 1989, Hyden & Bratton 1992, Williams & Young 1994);
5. Governance as socio-cybernetic governance. (Kooiman 1993, Kooiman 2000);
6. Governance as self-organising networks (Rhodes 1997, Kickett et al. 1997);
7. Governance as an international order within the field of international relations. Here the term is used as central concept, such as in ‘global governance’ (Rosenau & Czempiel 1992, Rosenau 1995, Commission on Global Governance 1995);
8. Governance as public-private partnership (Pierre 1998)
9. Governance as coordination of sectors of the economy economic sectors. (Hollingworth et al. 1994, Campbell et al. 1991);
10. School of thought under the heading of governance and governmentality that draws very much on the legacy of Foucault (Hay & Jessop 1995, Hindess 1997, O’Malley et al. 1997);
11. A body of literature on European Governance, which predominantly examines multi-level governance within the EU (Kohler-Koch & Elsing 1999, Sbraga 2000);

Source: Kooiman 2003, Pierre et al. 2000
There are as many definitions of governance as there are authors writing on this concept. Some authors define governance very broadly and generally, some have strived at more operational definitions. In a general sense, governance is often thought of in terms of steering, in which some set of actors (involving both public and private actors) attempts to use the instruments at their disposal to get the economy and society to act in a goal-seeking manner (Peters 2003:2). For Dror governance means ‘collective capacity to influence the future for the better’ (Dror 2001: xi). Some authors like Kooiman attempted at more complex and precise definition, further explained in his elaborated theoretical framework:

‘All those interactive arrangements in which public as well as private actors participate aimed at solving societal problems, or creating societal opportunities, attending to the institutions within which these governance activities take place, and the stimulation of normative debates on the principles underlying all governance activities.’ (Kooiman 2003:3).

Some of other possible definitions are summed in Box 2. However, these definitions do not seem to add much clarity into the concept of governance. The problem of these definitions is that they try to capture multidimensional concept into one dimension. As a matter of fact, governance may be justifiably understood quite differently. It is virtually impossible to make any clear generalization about governance since ‘it must be always contextualized and nuanced to be useful in describing particular settings’ (Pierre and Peters 2000: 69). For instance, governance is a useful term for both local administration dealing with practical everyday life issues and for political philosophers. Should we avoid the term altogether then? Or is there any common denominator that bound these heterogeneous concepts together?

I will argue that there indeed is a fundamental, though a bit vague idea behind the governance concept. I suggest, first to define governance quite broadly, second to specify dimensions (‘variables’) along with categories (‘values’) they can take, and only afterwards specify governance for particular purpose using meaningful combinations of these categories.

2. From Government to Governance – Beyond Zero-Sum Game

Despite the heterogeneity of governance concepts, it is still possible to discern the basic assumption behind the governance debate. The basic idea underlying the concept of governance could be put as follows: the nation state has no longer enough authority and capacity to steer society and economy by itself and other actors and mechanisms must be called upon to pursue and promote collective interests in society.

It is both empirical and normative statement. As for empirical side, it has been observed that in the long run there has been a significant reduction in the exercise of power of the nation
state. Consequently, available steering mechanisms through which economy and society can be
governed are now more dispersed that they had been before. As for normative side, it means that
we should acknowledge that state is no longer the only desirable player in maintaining public
good and we should broaden our conceptualization of society and economy steering accordingly.
In contrast to government as understood in classical political science (formal institutions of the
state and their monopoly of legitimate power to steer the society and economy), governance
and governing ‘are not primarily looked upon as acts of governments, but as more or less
continuous processes of interaction between social actors, groups and forces and public or semi
public organizations, institutions or authorities’ (Kooiman 1993:3).

So the basic idea of governance is the shift of authority and power to steer from the state
towards much wider spectrum of societal actors and steering mechanisms. Private companies
and enterprises, non-governmental, voluntary and non-profit organizations, various autonomous
bodies of local government, transnational and even global entities are assumed to gain much
power than they had had before — and this all at the expanse of a nation state. It even has been
argued sometimes that nation state has been ‘hollowed out’ (Rhodes 1994). More specifically,
the power of state has moved up to international organizations, moved down to regions and
localities and move out to non-governmental and profit organizations (Pierre and Peters 2000).
So then, what is left from the state? Are we really ‘entering an era where the governance process
is becoming a game without a master’ (Paquet 2001:188)? Or in other words, do we witness
such a profound state’s dissolution leading to complete loss of governability?

Following argument of Pierre and Peters (2000) I will oppose such a view. The basic fallacy
in the ‘hollowing state’ reasoning is seeing governance as a zero sum game where the gain of
power of one actor inevitably leads to the loss of others. Yet this cannot be necessarily always
the case. True, in a legal or constitutional sense as employed in classical political science theory,
all displacement of power is a zero-sum game: you can only increase one institution’s or actor’s
power by taking that from other institution or actor.

New governance theory, as contrasted to classical government view, offers empirically more
persuadable insight: constitutional distribution of power is not to be confused with capacity
to influence or steer society. That is why governance is not a zero-sum game. For instance, by
granting more power and autonomy to supranational government (such as EU), the national
state loses some power but not as much as supranational governments increase their control
(Pierre and Peters 2000:78). We may also argue that devolution of some national state power
in favor of EU can de facto increases the power (or more precisely: the capacity) of the state
to govern, at least in some areas. It may be so because through this supranational channel the
states may govern some issues much more effectively (like drug abuse or organized crime)
than if they would seek to govern them only by themselves. Assuming that this supranational
center of power implements sound and reasonable policies, it may also impose a good guidance
for national states. There is no doubt that an effort of candidates countries to join EU have had
many positive impacts as they were forced to fulfill many criteria that would otherwise take a
lot of time to adopt. By the same token, we could argue that decentralization and empowering
local authorities cannot be necessarily a sign of state’s power losing, but the way of trying to
govern more effectively.

Similarly, governance perspective stands against a widely held assumption that in dealing
with major societal issues there must always be clear division between state, market and civil
society. It is still often presumed that ‘the market creates societal opportunities, the state is
expected to solve societal problems and civil society exists to handle the leftover problems in the margins’ (Kooiman 2003: 10). In governance view, however, they can easily steer in synergy with one another. ‘Big government’ and market expansion can sometimes go hand in hand, at times even in ‘peaceful if not symbiotic coexistence’ (Tarschys 2001:31).

Thus what we need is not a governance theory where one actor or steering mechanism stands against another. The question whether we need more market or stronger state is wrongly put. Similarly, speculating on what level of governance (local, national or supranational) is becoming dominant at the expanse of others can be misleading. It might well be so that all levels are strengthened or weakened at the same time. Governance should be understood as a collective capacity to come to coherent agreement on the way we would like to go vision or goals — as well as collective capacity to achieve these goals. In such a conceptualization we leave aside — at least to a certain level — either-or assumption presuming zero-sum game where one wins only at the expanse of other. This is not to say that power or hierarchical order no longer matter. On the contrary, this is still — and ever will — very important dimension of governance. Yet, as I will try to show, it is only one dimension of governance among others. Before I will do that, however, I take a step aside and review various reasons that lead to such a big interest in governance so we get a deeper picture of what is behind this concept.

3. Why Governance?

The concept of governance reflects both actual changes in society and economy creating profound changes in governability, academic conceptualization of them as well as changing normative view of what governance should be about.

Changes of Governing Context

Several ‘megatrends’ are important when discussing governance. There is a unanimous agreement that the context in which government operates has changed profoundly. Technology, institutions, traditions, cultures etc. are subject to dramatic fast change with direct consequences for society and economy steering. Dror (2001: 39-50) has summarized these changes under ten headings:

1. Rapid non-linear changes;
2. Increasing uncertainty and inconceivability;
3. Globalization;
4. Multiplying complexity;
5. Rise of powerful global actors;
6. Growing prosperity with increasing inequality;
7. Intense frustration and large scale disorientation;
8. Increasing probability of both good and bad;
9. A lot of conflict and violence;
10. Changes leading to mutations.
Similarly, Kooiman (1993) put it into three terms: dynamics, complexity and diversity. He argues that the concept of governance is a reaction to long-term societal differentiation and integration processes resulting in the proliferation of the number of influential actors in society while at the same time increasing the number of interactions among these parties (Kooiman 2002:6).

**Changes of Academic Contextualization of Governing**

It is doubtful that nation government actually had had so much power as it is assumed. The idea of linear and hierarchical governing and almost fully empowered state as a long-term state-society pattern is simply overstated. It could be, however, argued that ‘much of the history of governing has been the story of attempts to control society from the center’ (Peters 2003:2).

At the beginning of the 20th century Europeans governments spent about 5-10% of GDP (mostly on military) while at the beginning of present century it is between one-third and one-half of the GDP in all industrialized countries. And in some Scandinavian countries it is as much as six-tenth. There has also been a clear ever-rising growth in state interventions as expressed in the increasing scope of regulation and statutes.

Similarly, if we take even longer historical look at ‘dissolution of state’ we will see that by the year 1500 there were about 1 500 sovereign political units. And there were 300 independent territories in Germany alone 150 years later (Tarschys 2001:28-31). In this respect, in the 20th century state has gained incredible amount of power and legitimacy to regulate and spent public money. Despite the certain level of democratization and greater involvement of actors other than state, it is still party in power that usually has strongest — and arguably sometimes almost unrestricted — power to determine the directions and strength of intervention. So then, why should we talk about governance as contrast to government?

The most convincing answer seems to be rather abrupt end of relentless and historically unique trend of growth of state in the 20th century. The fall of communist totalitarian regime, decentralization, marketization of public administration, increasing globalization, creation of EU and other changes led analysts to a panic and jumping to quick conclusions about evaporation of state capacity to govern.

**Changes of Normative View on Governing**

Last but not least, increased interest in governance has also been led by changes in normative view on how society and economy should be governed. The traditional model of governing society focusing almost exclusively upon state came under attack as the most efficient and democratic means of providing steering for the economy and society. It has been argued that a bunch of societal and non-governmental actors — both market and non-market — are to be included to shape and manage public policies. Some scholars even have gone so far to argue that societies can have ‘governance without government’ (Rhodes 1996), meaning that the networks of interested parties would be capable of providing the steering for the policy areas they are concerned with. Osborne and Gaebler (1992) proposed higher involvement of non- and for-profit organizations in the delivery of public services, assuming that those organizations can perform tasks more efficiently than government organizations — ‘steering, not rowing’. Disaggregation of the public sector is actually reported to have happened in a number of the industrialized democracies (Gains 2003), meaning creation of autonomous and quasi-autonomous organizations, responsible for delivering public service.
4. Four Dimensions of Governance

Instead of conceptualizing governance alongside with one particular aspect of it, it seems more useful understand governance as a multidimensional concept. At least four different dimensions can be distinguished: level of governance, modes of governance, dynamics of governance and normativity.

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<th>Dimension</th>
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<td>Level of Governance</td>
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<td>Global governance</td>
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<td>Modes of Governance</td>
<td>Governance relying on government</td>
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<td>Government with structured interactions with market and civic society</td>
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<td>Governance as more or less informal networks</td>
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<td>Dynamics of Governance</td>
<td>Governance as structures and institutions</td>
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<td>Governance as processes</td>
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<td>Normativity</td>
<td>‘Good’ governance</td>
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<td>Analytical governance</td>
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4.1. Level of Governance

First and most obvious dimension is the level of governance. Governance can be conceptualized on local, national and supranational or global level. Indeed the literature on governance covers all thinkable levels. There has been extensive research on local governance (for example Stoker 1998). At national level, World Bank initiated a large-scale project on ‘good governance’ focusing upon improving governance in particular countries. Example of supranational governance is now extensive literature on EU that has been profoundly influenced by this concept (Hix 1998). Finally, especially in international relationships studies, we can find a growing interest in ‘global governance’ (Rosenau and Czempiel 1992, Rosenau 2000). Several contributions take into account all levels of governance (Dror 2001). When supranational, national and regional processes and structures of governance are interlinked, the term multi-level governance is sometimes used (Pierre and Peters 2000: 72).

Traditionally it was a national state considered as the undisputed locus of power, girded with almost omnipotent ability in governing collective interest. In governance perspective, however, the state is only primus inter pares actor whose capabilities depend upon its ability to mobilize other societal actors for its purposes (Pierre and Peters 2000: 82). In terms of level of governance, the state’s capacity to govern has moved both down to local government and moved up to transnational organizations.

States have often voluntarily chosen to surrender parts of their sovereignty in favor of transnational arrangements in many policy sectors. Most visible it was probably in the field of international trade regulation. In 1995 GATT (General Agreement on Tariffs and Trade) was replaced by World Trade Organization (WTO) that started to serve also as controller, investigator and court for international trade disputes. In overall economic development, International Monetary Fund (IMF) and the World Bank started to play important role through providing international loans dependable upon specific economic reforms. Sure, there are many other important transnational economic organizations like NAFTA (North America Free
Trade Agreement) or APEC (Asia-Pacific Economic Cooperation). In arena of environment, there has been Agenda 21 project, laid down in 1992 Rio Summit. The basic idea behind Agenda 21 was that supranational governments — not states — should be targeted as lead actors to develop sustainable development programs (Pierre and Peters 2000: 84). However, supranational arrangements cannot be restricted to specific policy arenas. The primary example is of course increasing integration of EU and substantial delegation of decision-making to mutual supranational agreements.

The state power not only moved up but also ‘moved down’. Despite significant differences among countries, decentralization has been implemented in a large number of western democracies during last several decades. From the early 1960s onwards the growth of central government has been slower than that of supranational government (Sharpe 1988). The reasons for decentralization have been various. Arguably the most important was the expansion of public services and accumulation of expertise in local settings and administrative reforms aimed at unleashing and capitalizing on this expertise (Pierre and Peters 2000:88).

4.2. Modes of Governance

Governance modes dimension is about the nature of mechanisms assumed to be involved in governance. Three categories in this dimension of governance may be discerned that are related to hierarchy, co-ordination or autonomy. Governance can be understood as a more or less hierarchical structure and processes where the government plays (should play) the decisive role (category 1). It can also be understood as co-ordination and co-operation between various types of actors — both private and public, in a more or less arranged and structured way (category 2). Last it can be argued that governance is carried out mostly through network of more or less self-governing and autonomous actors (category 3).

Hierarchy - Governance Relying on Government

In the first type of literature, governance is limited more or less to state and public administration. Consequently this conceptualization of governance is sometimes called ‘state-centric approach’. Despite the focus upon public administration, the operation of government is considered in a new context. In this view, state (or more specifically public administration) cannot throw away its primary responsibility for governing, though ‘the public sector may be placed in the paradoxical, and awkward situation of retaining much of the responsibility for governance while weakening many of the levers that made governance from the center possible’ (Peters 2003: 2-3).

Though governance is conceptualized as an activity that must take into account a broad range of actors and steering mechanisms, the government, however, cannot deny its primary responsibility:

“We believe that although governance relates to changing relationships between state and society and a growing reliance on less coercive policy instruments, the state is still the centre of considerable political power” (Pierre and Peters 2000: 12)

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2 There is a close link to Kooiman’s conceptualization of governance. He discerned three modes of governance (= mechanisms through which society is steered): self-governance, co-governance and hierarchical governance (see Kooiman 2003:77-131).
In other words, even if government has formally divorced itself — or has been divorced — from control, it still holds primary responsibility. Thus, for example, the privatization of public railway system or establishing autonomous health insurance companies, do not remove crucial public responsibility from government in the area of transportation or health. The policy instruments that public administration must employ, however, go far beyond traditional ‘command and control interventions’. Instead conclusions usually lead to stressing a need of establishing common priorities and visions:

The implication is that governing can be carried out better when there is a more integrated vision of what the future of the polity and society should be and that there should be means of imposing that vision for the society. (Peters 2003: 9)

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**Co-ordination - Government with Structured Interactions with Market and Civic Society**

The second meaning of governance is that of co-ordination and co-operation between various types of actors — both private and public, in a more or less arranged and structured way. Here the both responsibility and capacity to govern is considered to be more dispersed, and coordination of various steering mechanism is considered essential. The state is understood mainly as a governance facilitator and as a co-operating partner.

It has become clear in 1980s and 1990s that effective response to societal problems requires employing non-governmental institutions and creating new forms of relationship between state and society. It has been argued that certain issues cannot be dealt solely by governmental institutions but only by joint action of public, non-profit and private parties.

Thus the number of NGOs and their role in tackling social problems has grown tremendously in the last two decades (Willetts 1996), so as has the role of private companies. Whereas in the seventies the relationship between public administration and business was characterized by alienation and estrangement, there has been reverse movement in the eighties (Kouwenhoven 1993: 119). Such interactions between public and private have been sometimes referred as public-private partnership — PPP. The idea behind PPP is that in many respects commercial and societal objectives may converge and that through co-operation with private sector government can achieve more efficient and effective way of governing. In other words, various processes are coordinated to achieve sympathy effect.

**Self-governance — Networks of Autonomous Actors**

Lately the network paradigm has become very popular in governance literature. Here no common authority exists and government is assumed as increasingly powerless in relation to society. Argument here is that both society and market have developed the capacity for self-governing. In this view economic and societal actors are more or less autonomous and are able to pursue their own goals and they can hardly be influenced by government directly.

The use of networks for making policy decisions is no doubt problematic as it is obvious that government must establish basic parameters within which actors operate. As we have seen during transformation of post-communist countries, such ‘rule settings’ matter a lot and is of profound importance in governing. Both civic society and market must be fostered and ‘coaxed’ by the state.
However, network paradigm helps us to see that in addition to traditional policy instruments of the state and new forms of employing other steering mechanism, effective governance depend also to a higher extent on self-governing and autonomous processes where no center is involved.

4.3. Dynamics of Governance: Institutional versus Dynamic View

Third dimension of governance can be described as a dynamics level. Governance may be understood both as a set of dynamic processes (such as steering, management, communication etc.) or as an institutional pattern or structure.

The first way of looking upon governance is to consider governance arrangements that are societal, political and economic institutions that evolved over time to manage collective problems or create collective opportunities. Broadly speaking, we may distinguish three such arrangements: government, market and non-government (civic) institutions. Each of them has specific weaknesses and strengths (Potůček 1999). The art of governance is to create both a functioning framework for these institutions (norms, values, principles etc.) as well as effective mixture of these arrangements in dealing with collective matters.

The second way is to see governance as a result of various dynamic processes both within and between arrangements mentioned above. In this approach we consider various processes that are taking place among concrete actors. Instead of norms, roles, values or laws we think in terms of processes such as cooperation, consultation, communication, competition, coordination but also manipulation or coercion. Good governance in this view means intervening in these processes for instance involving expert consultation in policy process or engaging citizens in setting priorities (e.g. creating particular website where anyone can present his/her view on policy).

These views are, of course, not contradictory but complementary. It is obvious that institutions mark out space of ‘governability’ that is they canalize governing processes. Democratic governance and society and economy steering (dynamic process) is most effective where there is strong civil society and enough of social capital (Putnam 1993). Similarly, strong organizations can be used to develop partnership and as an infrastructure through which government can operate (Pierre 1998). Similarly, institutions are created and sustained thanks to processes. Nevertheless, it is sometimes difficult to combine institutional and dynamic view on governance both in theory and practice.

4.4. Normativity

Fourth dimension of governance is the level of normativity. Governance can be looked at from both the analytical point of view (where the basic aim is to understand mechanism through which societal processes are actually governed) but also from normative stance (where the emphasis is put upon various techniques of ‘good governance’ building). However, the categories of this dimension are somewhat different from the others. There is no ‘zero level’ of normativity. It is so because governance is inherently normative concept — deciding where governance starts and ends is already a normative choice.
5. Towards Classification of Governance Issues

It does not seem livable to construct a new term for every different approach to governance. Even if take into account only four dimensions with categories mentioned above, we would get \(4 \times 3 \times 2 \times 2 = 48\) various approaches to governance. Even more importantly, we would lose holistic view on governance as many interesting and momentous aspects of governance transcendent boundaries of categories given above.

So, we have to get used on multiple meanings the concept of governance can get. It cannot, however, lead us to postmodern ‘anything goes’ approach either. Instead we should specify governance for the purposes we need while explicitly combining values (categories) of several possible governance dimensions (see Figure 1).

**Figure 1 – Governance Cube**

Multidimensional approach to governance proposed in this article is supposed to be a tool when thinking about governance. Using various dimensions of governance, thinking about their meaningful combinations and having searched extensive literature on governance, I very preliminarily came to the following main broad areas of governance (partly overlapping):

- **Global context of governance** — global megatrends and social change in a broadest sense influencing ‘governability’ (e.g. globalization, ‘knowledge revolution’, digital and information proliferation enabling new forms of government-society interaction, etc.)
- **Government public administration effectiveness** — includes evaluation of effectiveness, soundness and accountability of public administration and government (e.g. public administration education, cost-benefit analysis etc.)
- **Analytical basis for governance** — tools and instruments employable in managing collective interest (e.g. new forms of ‘soft’ tools such as vision and strategic thinking)

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\(^3\) The fourth dimension – normativity – that cannot be captured in three-dimensional cube must be always kept in mind.
Political environment — deals with distribution of power and authority and its use (e.g. political culture, participation, state-media relationship, transparency of political parties, political stability, control of power, enforcement of law, ethical codes etc.)

‘Governability’ — horizontal structural interactions between state, market and civic society, its possible synergy or contradictory effect in governing

Self-governing mechanism — communication, networks, cooperation and other rather autonomous institutions and processes that understructure ‘governability’ (social capital, trust, human capital etc.)
Literature


Measurement of Governance

Abstract
This essay may serve as an introduction to the measurement of governance. Its chief purpose is to acquaint the reader with the general and theoretical starting points of governance measuring (Chapters 1 and 2) and methodology with due accent on the potential problems thereof (Chapter 3). The fourth chapter brings an overview of selected projects that measure various aspects of governance and their characteristic features (including the choice of approach, methodology, number of countries included in the project, and main indicators). The concluding chapter of the essay sums up the outcomes of numerous empirical studies that deal with connections and relationships between the qualities of governance, or rather its various aspects, and other societal phenomena.

1. Why Measure Governance?
Research into the measurement of governance acts on the assumption (albeit not universally shared) that there are at least some elements of governance that can be effectively measured, evaluated, contrasted, etc. Having embraced this assumption one can use the measurement outcomes in many ways and in many walks of society’s life (research to politics to business). Measuring enables the citizen to compare and rate the performance of the government and of the public sector in general, which may have bearing on the expression of support for or dissatisfaction with the incumbent government and on one’s decision at the time of parliamentary and other public elections, and indeed may result in public political action, etc. Elites may use such research outcomes as political leverage with which to rally the public behind a cause. Thus, governance and related topics penetrate, through the good offices of such measurements, not only the talk of the town (Transparency International’s index of corruption may serve as the best-known example), but they in fact become part and parcel of the process of shaping politics and political practice, thereby encouraging a more effective creation and implementation of public policies. However, it should be noted in this context that, as pointed out by some policy-makers and experts, aggregated indicators may, in certain instances, actually obfuscate the problem or lead astray and towards false conclusions.

Big role among the target groups of most research programs play the foundations and organizations that provide development and other aid (USAID, IMF, World Bank, United Nations, EU). Research helps to make decisions about the commencement/termination of aid, its allocation, and helps in evaluating its efficiency. Thus, some organizations make the
provision of assistance conditional on good results or at least positive tendencies in the realm of governance. In so doing they attempt to prevent aid being misused for the selfish purposes of corrupt rulers, etc. (Besançon 2003)

Also, research outcomes are a treasure trove of inputs to academic research that helps the research worker to carry out international comparisons and to look for mutual connections and links that are innate to various walks of life in society or various elements of governance. It is also possible to track various developmental trends and forecast the future development of governance as well as other spheres related to governance.

2. Main Governance Concepts

Probably the biggest problems arising as we attempt to measure or even compare the quality of governance among national states (or other units) are the ambiguity and wide dispersion of the term governance itself. It is used in many disciplines (institutional economy, international relations, public policy, organizational studies, development studies, political science, policy analysis, sociology etc.) and there are almost as many ideas of governance as there are researchers in the field. In this chapter we focused above all on the introduction of the term governance and some of its definitions used for the measuring of governance. For detailed description of main theories and perspectives of governance see the second article in this volume (Governance as Multidimensional Concept) or other literature (Pierre and Peters 2000, Hirst 2000, Rhodes 1996, Björk and Johannson undated).

The term governance is not new and has been used for the description of decision-making processes and following implementation, frequently being associated merely with the government and public administration. However, further development of Western democracies has aroused interest in the detailed knowledge of mechanisms and actors of governance: there have been attempts at measuring the quality of governance and – last but not least – reforms of the public sector were directly or indirectly influenced by these “reinvented” concepts of governance.

These new forms of governance should be perceived as an alternative expression of collective interests that supplement traditional, institutional forms of governing and channels. At present, governance predominantly refers to the co-ordination of social systems, public-private relations, increasing reliance on informal authority, and often makes the role of the state in society disputable. Attitudes to the state and its role ramify theoretical concepts to two different versions of governance and to a certain degree determine approaches to the measurement of governance. So called old governance is a more traditional “steering” concept of governance. The state and its political and institutional capacity to steer the society are in the centre of interest (the state-centric approach). By contrast, new governance is a modern concept of governance focusing mainly on the role of society (society-centric) and its ability to co-ordinate common interests and self-steering (positive approach) or to resist the regulations and impositions of the state (negative approach). In the former approach, government (or the state as a whole) is regarded as one of many (more or less) equal actors in society, together constituting a network regulating and coordinating policy sectors according to the preferences and interests of theirs members. The latter approach perceives the government as legitimate but low-performance authority contrary to clever and capable citizens who “know better what they need” and are able to resist government interventions.

Very interesting and fairly important, from the vantage point of governance measuring, is the aspect of making the concepts and definitions of governance operational in terms of measurable variables. Its appeal is in that here, the often rather general and theoretical constructions acquire
definitive outlines of the practical expression of the author’s plans and imaginations. Oftentimes, a radical reduction happens, and it is only this phase that reveals the concepts and attitudes that really govern the minds of the authors. One can hardly underrate the importance of rendering matters operational. Operability has a critical impact on the quality of the future measurements, the interpretation of their outcomes, the possibilities of generalization and comparison, etc.

Coming forward in this phase are also the potential normative elements that are incorporated in practically all approaches to governance (whether openly or in disguise), and these ought to be clearly set apart from the empirical elements. Mixing them together can potentially cause the blending of observable and assumptive words.

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**From Concept to Indication**

An inspiring example of lending operability to a general concept in specific indication and governance measuring is provided by Kaufmann, Kraay and Zoido-Lobatón in their construction of six KKZ indicators.

**[Step 1 – general definition]**

According to them, governance is defined as the exercise of authority through formal and informal traditions and institutions for the common good.

**[Step 2 – specification of individual aspects]**

Governance thus includes:

1. the process of selecting, monitoring, and replacing governments
2. the capacity to formulate and implement sound policies and deliver public services, and
3. the respect of citizens and the state for the institutions that govern economic and social interactions among them.

**[Step 3 – rendering things operational]**

For measurement and analysis, these three aspects of governance were further unbundled to comprise two measurable parts per each of the dimensions above, for a total of six components: (1) voice and external accountability (i.e., the government’s preparedness to be externally accountable through citizen feedback and democratic institutions, and a competitive press); and also (2) political stability and lack of violence, crime, and terrorism. Then (3) government effectiveness (including quality of policymaking, bureaucracy, and public service delivery); (4) lack of regulatory burden; and, finally, (5) rule of law (protection of property rights, judiciary independence, and so on); and (6) control of corruption.

**[Step 4 – application]**

Applying this definition of governance and gathering data from many different sources, they have analyzed hundreds of cross-country indicators as proxies for various aspects of governance. Imposing structure on these
The number of potential approaches to the measuring of governance is at least the same as a number of various concepts and meanings of the term “governance”. When we focus on the methodology, we can find two main distinctions among these approaches. The first one is between the objective and subjective measurement of governance. The **objective measurement** is based on the assessment of hard data coming from different branches of knowledge – economy (GDP, SDP, government debts, taxation, productivity etc.), demography (life expectancy, infant mortality etc.) and other social sciences (estimates of riots and strikes, literacy rate, unemployment rate, Gini index etc.). The main advantage of the objective measurement is the accessibility of (almost complete) data for the majority of countries or regions and credibility (for politicians, businessmen, donors and so on have hard data often better image contrary to subjective opinions, perceptions etc.). However, many very important and interesting facts related to and influencing the quality of governance cannot be objectively measured and hard data sources are often incomplete, mainly for underdeveloped countries. Therefore there exist **subjective measures** that are based on the subjective perception of various aspects of governance (corruption, human rights, trust, rule of law, freedom, evaluation of economy/public services/government etc.). Respondents in such surveys are mainly experts or residents from a given country and so results are the aggregated collective opinions of subjectively chosen sample (representative or not) and have normative content (unlike the objective measures). Subjective perception may be often as important as objective measurement and has significant explanatory power. It can give a truest and more exact picture of actual governance issues for given unit and so can be more useful for decision-maker to formulate and implement appropriate policies or solutions. On the other hand the quality and follow-up utility of such surveys are highly dependent on the nature of the questions and the quality of respondents. It is possible that the subjective assessments are influenced by knowledge of recent situation in other fields of interests. For example an “expert” who is asked to rate a country about which he/she knows very little might surmise that corruption must not be too severe in given country because it has been growing so rapidly and attracting so much investment.

The second distinction is between the direct and indirect measurements. The realm of governance is quite specific in this respect as there are virtually no unbiased direct yardsticks (indicators) of governance, and practically all variables of governance measurement merely convey the relationship between the measured property and the indicator. They are not the values that we really want to measure. There are basically two ways to overcome this hurdle. In the first approach we use **subjective answers to direct questions** on given aspects of governance as plausible indicator of real situation. It is a very useful and quick method for expert surveys provided that the assignment is clear and generally comprehensible for all participants and that there is a valid assumption that they are genuine experts in given field.
The second approach is based on measurement of indirect variables (subjective or objective proxies) which are aggregated to indicators according to accepted theoretical framework. In this manner are developed indicators or indexes which by several proxies measure for example political stability, institutional efficiency, rule of law, quality of democracy and many more. These aggregate indicators are usually more informative about the level of governance than any single indicator. The main advantage of this method is that it allows for the quantification of the precision of both individual sources of governance data and country-specific aggregate governance indicators for the utilization of governance data from many sources.

Governance measuring poses numerous methodological problems. Chief among them is the choice of suitable variables and their eventual aggregation into indicators. Basically, one can apply two principles when selecting variables. One is that the variables are chosen on the basis of an expertise where the selected set of variables is the result of practical and theoretical experience, and the findings of selected experts. This approach is quite demanding as to the formulation of clearly set criteria of selection, theoretical outcomes, and conceptual frameworks. While this method employs statistical testing for the assertion of suitability of previously chosen variables, the second approach makes direct use of statistics to handpick the variables that really tell the tale. From a vast file of available variables, such specimens are selected by means of statistical methods that can really ‘fill in’ the areas under investigation. Problems arise also with the aggregation of variables where one set often includes variables that basically measure one and the same value, etc.

The approach chosen already hints the way of assigning weight to individual variables when constructing the indicator. In the former instance, expertise again enters the process; the latter instance allows the use of the results of statistical computations. The relevance (weight) factor steps into the game also when individual indicators, i.e. aspects of governance, are made subject to mutual comparison.

The level of measurement is the penultimate issue dealt with in this section. It is, basically, the degree of generalization of the measurement that stretches out between the two extremes – very general, and very specific. Obviously, the more generalized and strongly aggregated variables provide for easier international comparisons and better evaluation of the overall situation in the given regions. On the other hand, they can hardly help us pinpoint specific hotbeds and soft spots the knowledge about which is critical for the formulation and enforcement of the politics that ought to eliminate or mitigate such phenomena. Finding and taking the middle road stands out as one of the greatest challenges in measuring governance. Let us be guided primarily by research goals and the target groups that should best benefit from the outcomes of scientific research.

Last but not least, there are the problems of accessibility and reliability of data. This issue concerns chiefly the developing countries where a number of specific data is unavailable, whilst the available information is difficult to verify simply difficult to believe.

At the end of this introductory part we must point out that it is deceptive to offer very precise rankings of countries according to their level of governance. Nevertheless, the measuring of governance is very useful because it allows countries to be sorted into broad groupings according to the levels of governance, identifies strong and weak points of individual countries, provides investors or donors with useful information, supports more effective public policy and can be also used to study the causes and consequences of governance.
4. Examples of Certain Projects

In the recent years a number of international projects have tried to measure some aspects of the quality of governance processes. Selected approaches usually correspond to the intended target groups of the indicators and their usage. These groups vary greatly from civil society actors, general public, donor agencies and international institutions to business investors etc. This part brings a short description of the most interesting projects.

The World Bank Aggregated Governance Indicators (KKZ according to abbreviation of names of authors) are based on several hundred individual variables measuring perceptions of governance, drawn from 25 separate data sources constructed by 18 different organizations, and cover 199 countries and territories for four time periods: 1996, 1998, 2000, and 2002. Sources of governance data are either polls of experts or cross-country firm managers or citizens in general. Indicators based on the survey present averages by country of the responses of a large number of respondents to a variety of questions related to governance. Typically, survey respondents are asked to rate aspects of governance on a categorical scale. Some sources focus on the opinion of the business community, others focus on the opinion of expatriates, and some are broad-based surveys of citizens.

These obtained individual measures of governance are assigned to categories capturing key dimensions of governance and aggregated to six governance indicators - Voice and Accountability, Political Stability, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption.

The World Business Environment Survey (WBES), administered to enterprises in 80 countries and one territory, utilizes a standard core enterprise and a fairly uniform survey methodology to generate indicators that allow comparisons across countries and over time. It covers perceptions of the investment climate as shaped by local economic policy, governance, regulatory, infrastructural and financial impediments and public service quality. The Business Environment and Enterprise Performance Survey (BEEPS) is the transition economies component of the ongoing World Business Environment Survey. Developed jointly by the World Bank and the European Bank for Reconstruction and Development, the BEEPS represents a survey of managers and owners of firms across 20 countries of Central and Eastern Europe, the former Soviet Union, and Turkey designed to generate comparative measurements of the quality of governance, the investment climate and the competitive environment, which can then be related to different characteristics of firms and their performance. The first round of the BEEPS was conducted in 1999, the second round (BEEPS II) in 2002.

The BEEPS was designed to push further the empirical frontier in the analysis of governance and corruption at the country and firm levels. Survey questions are based on the direct experience of firms rather than subjective comparisons across countries. Where possible, the numerical cardinal estimates of problems are used (such as a share of the annual revenue spent on bribes) as opposed to subjective assessments of the extent of the problem. Data on firm-level performance in terms of sales, investment and employment provide specific estimates of the costs and benefits to firms associated with governance issues. As for corruption, the survey includes questions distinguishing among different forms of corruption, different recipients of

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4 Based foremost on projects information materials and on Besançon (2003) and Indicators of Governance and Institutional Quality (undated).
bribes, key characteristics of corrupt transactions and provides sound empirical measures of various forms of “grand” corruption, such as “state capture” (purchase of laws and decrees by enterprises) as well as corruption in public procurement, and to measure the characteristics of firms that engage in such forms of corruption.

The *World Competitiveness Yearbook* (WCY) analyzes and ranks the ability of nations to create and maintain an environment that sustains the competitiveness of enterprises. It features 59 industrialized, emerging and regional economies and provides 321 different criteria, grouped into four Competitiveness Factors - Economic Performance, Business Efficiency, Government Efficiency and Infrastructure. Hard data are taken from international, national and regional organizations and private institutes, survey data are drawn from the annual Executive Opinion Survey (4,256 respondents). This survey is an in-depth 116-point questionnaire sent to executives in top and middle management in all of the economies covered by the WCY. The survey was designed to quantify issues that are not easily measured (for example: management practices, labor relations, corruption, environmental concerns or quality of life). The surveys are sent to executives who represent a cross-section of the business community in each country or region. The distribution reflects a breakdown of industry by sectors: primary, manufacturing and services, and in order to be statistically representative, we select a sample size which is proportional to the GDP of each economy. The survey respondents are nationals or expatriates, located in local and foreign enterprises in a country or a region and which, in general, have an international dimension. They are asked to evaluate the present and expected competitiveness conditions of the economy in which they work and have resided during the past year. Criteria based on hard data represent a weight of approximately two-thirds in the overall ranking and the remaining one-third is based on data from the Executive Opinion Survey.

*Freedom House* indexes of political freedoms and civil liberties, published annually since 1972 in *Freedom in the World*, evaluate state of global freedom in practically all countries and several territories. Individual countries are evaluated based on a checklist of questions on political rights and civil liberties that are derived in large measure from the Universal Declaration of Human Rights. Each country is assigned a rating for political rights and a rating for civil liberties based on a scale of 1 to 7, with 1 representing the highest degree of freedom present and seven the lowest level of freedom. The combined average of each country’s political rights and civil liberties ratings determines an overall status (Free, Partly Free, or Not Free). The survey does not rate governments or government performance per se, but rather the real-world rights and freedoms enjoyed by individuals as the result of actions by both state and nongovernmental actors. The research and ratings process involved over 30 analyst/writers and senior-level academic advisors. The seven members of the core research team prepared the country and territory reports. To reach its conclusions, the analysts used a broad range of sources of information, including foreign and domestic news reports, nongovernmental organization publications, think tank and academic analyses, individual professional contacts, and visits to the region in preparing their reports.

*International Country Risk Guide* (ICRG) rates political, economic, and financial risks, breaking each down into its key components, as well as compiling composite ratings and forecasts. Rating for 140 countries comprises 22 variables in three subcategories of risk: political, financial, and economic. A separate index is created for each of the subcategories. The Political Risk index is based on 100 points, Financial Risk on 50 points, and Economic Risk on
50 points. The total points from the three indices are divided by two to produce the weights for inclusion in the composite country risk score. The composite scores, ranging from zero to 100, are then broken into categories from Very Low Risk (80 to 100 points) to Very High Risk (zero to 49.5 points). The Political Risk Rating includes 12 weighted variables covering both political and social attributes.

ICRG incorporates a “Type II” forecast in which experts provide a current assessment, a one-year assessment, and a five-year assessment. The projections of future conditions are framed in “best” case and “worst” case scenarios. This provides managers with a probabilistic future in which to make judgments about risk management or insurance needs.

Indicators from Business Environmental Risk Intelligence (BERI) have been available since the early 1970s for about 50 countries. Now it includes over 140 countries which are evaluated on 100 point scale. Components of rating system are economic, financial, monetary, operating and political conditions perceived by panels of professionals. There are two main indexes – Operational Risk Index and Political Risk Index – and one so called R factor (Remittance and Repatriation Factor).

Possibly the most widely known governance index is the Corruption Perceptions Index (CPI) of Transparency International. The CPI is capturing the degrees of corruption perceived by international and domestic business communities. First launched in 1995, the CPI in 2002 drew upon 15 surveys between 2000 and 2002 from nine independent institutions. Although it included only those countries that featured in at least three surveys, it already covered 102 countries. Less known index provided by TI is Bribe Payers Index (BPI) which rates the likelihood that companies from leading exporting countries will pay bribe when they do business abroad. Ranking is done through questionnaires and surveys for 21 leading export economies on a 10 point scale.

The Heritage Foundation’s Index of Economic Freedom (IEF) measures how well 161 countries score on a list of independent variables divided into 10 broad factors of economic freedom. The Index is more than dataset based on empirical study; it is theoretical analysis of the factors most influence the institutional setting economic growth. 50 variables are grouped into the following categories: Trade Policy, Fiscal Burden of Government, Government Intervention in the Economy, Monetary Policy, Capital Flows and Foreign Investment, Banking and Finance, Wages and Prices, Property Rights, Regulation and Informal Market Activity.

The Centre for the Study of Public Policy (University of Strathclyde) has been monitoring grass roots response to change through nationwide survey called the Global Barometer Survey. The GBS is using tested social science survey methods to monitor perception and evaluation of new political institutions which have been launched on many countries. The same questions are asked in more than 50 countries and comparisons can be made between countries within a continent and often across continents (New Europe Barometer since 1991, 16 post-Communist countries; Latinobarometer since 1995, 17 countries; Afrobarometer since 1999, 15 countries; Asian Barometer since 2001, 8 countries). Principal topics include: political participation & elections, trust in institutions, rule of law and corruption, freedom from fear, identities, religion, poverty and destitution, evaluation of economic conditions, market and state, evaluation of public services, evaluation of alternative regimes, political freedom, democracy and its alternatives.
The Database of Political Institutions (DPI) contains 113 variables for 177 countries over the years 1975 – 1995. The variables provide details about elections, electoral rules, type of political system, party composition of the opposition and government coalitions, and the extent of military influence on government. The DPI also contains a number of new variables, compiled from the raw data, including original measures of checks and balances and political stability. In contrast to other databases, these variables are nearly all objective and their construction is entirely transparent. They are also disaggregated, allowing researchers to use precise and concrete institutional features of countries, and to combine them in ways appropriate to theories they are examining. Objective variables are divided into 7 categories: political system and electoral competitiveness, preferences and parties, tenure, turnover and popular vote share of the chief executive and the chief executive’s party, the legislature, electoral rules, checks and balances, federalism. DPI 2000 updates DPI (1975 – 2000), corrects certain errors and adds changes to some variable definitions.

Economic Freedom of the World Index (EFW) measures the consistency of a nation’s policies and institutions with economic freedom. According to this measure, the key ingredients of economic freedom are voluntary exchange, personal choice, freedom to compete and protection of person and property. EFW is an objective data measure that has been “enhanced” by subjective data from the Global Competitiveness Report and ICRG. It incorporates 21 components within five areas (size of government, expenditures, taxes and revenue, legal structure and security of property rights, sound money, and freedom to trade with foreigners, regulation of credit, labor and business) with several sub-components making 37 distinct data contribution sources. The index rates the five areas both individually and together on a ten-point scale. At present EFW includes 123 countries.

Governance Health Checks (GHC) provides a diagnosis for a public or nonprofit agency and its partner organizations showing which areas of governance most need to be changed. GHC enables organizations (and their key stakeholders) in the public and nonprofit sector to evaluate key outcomes and key governance principles and policies on the basis of a multiple stakeholder assessment. The 360° assessment is based on focus group sessions with key stakeholders and other forms of feedback. These sessions are designed to identify and trigger willingness on the part of the stakeholders concerned to become more actively involved in addressing particularly important areas of potential collaboration.

The CIVICUS Civil Society Index (CSI) is an action-research project that aims to assess the state of civil society in countries around the world, with a view to creating a knowledge base and an impetus for civil society strengthening initiatives. The CSI is initiated and implemented by, and for, civil society organizations. However, it also actively involves, and disseminates its findings to a broad range of stakeholders including governments, donors, academics and the public at large.

The Civil Service Employment and Pay is a compilation of cross-country data on civil service pay and employment collected for 80 to 100 countries (depending on the particular indicator) for the early 1990s. Work is currently in progress to update these data. Pay variables in the data set include average government wages as a ratio of manufacturing wages, average government wages as a ratio of per capita GDP, and the total government wage bill as a percentage of GDP. Public sector employment variables include government administration (divided into central government and non-central government), education, health, and armed forces.
The Weberian Comparative State Data Project collected data for 35 developing countries on various dimensions of “bureaucratic structure” and meritocracy. Qualitative responses to 20 questions were provided by 126 country experts (mostly from academia) over the 1993-96 periods. Responses per country ranged from 2 to 5, and the responses were averaged to obtain country-level values. Most of the experts either worked in or were originally from the countries they rated. Indicators include an index of meritocratic hiring, an internal promotion and career stability index, a civil service compensation index, and an overarching “Weberian State Scale” constructed from responses to 10 questions.

5. Does Governance Matter?

As numerous projects crop up that measure various aspects of governance, there is a growing number of researches that aspire to the empirical verification of links and relationships between the quality of governance, or rather its individual aspects, and other societal phenomena arising especially in the economic sphere (economic performance, efficiency of governance and government projects, social capital, the value and effectiveness of foreign aid, etc.). Although their authors frequently opt for different approaches to not only the wording of research questions but also the creation or selection of indicators, the key findings tally to a significant extent. The countries with high-quality governance according to research achieve better results also in other fields, which puts one in a position to say that governance really does matter. The following section is an overview of significant empirical studies in this field, and theirs principal conclusions.

Researchers probably the most focus their attention on the relationship between governance and economic performance or growth in its various forms. Much recent literature concerns the impact on economic growth of what governments do. A small share of these studies examines the effects of directly measurable government actions on growth and so offers no explicit link between specific government policies and actions (for example, building more schools) and the growth-promoting outcome (for example, higher enrollment rates). Another strand of literature analyzes the effects of underlying social structures, political structures, and institutions that determine how governments exercise public decisions and authority. Much of this work focuses on the effects of civil and political liberties. (Isham, Kaufmann and Pritchett 1997)

Barro (1991) in his cross-country survey analyzed impact of institutional quality to the long-term growth and established the link to the relevance of institutions by concluding that the significant adverse effect of his indicators (number of coups and political assassinations) on growth reflects the uncertainty of property rights. Further papers (Knack and Keefer 1995, Brunetti et al. 1997) subsequently confirmed a significant positive impact of institutions that protect property rights on growth and investment.

Barro also investigated the relationship between the rule of law (measured by the International Country Risk Guide indicators), democracy (Freedom House indexes for electoral rights and civil liberties) and economic performance (growth rate of per capita GDP), and arrived at the conclusion that the extent of democracy has little relation to subsequent economic performance. Using a vast sample of countries (from several dozen to over one hundred as available in his time) he proved the vastly superior role, in terms of economic growth, of the implementation of
the rule of law (i.e. property rights and free markets). According to Barro, it is these institutional features that matter most for economic growth. Moreover, in the long run, the rule of law tends to generate sustainable democracy by first promoting economic development. (Barro 2000)

Much of the ambiguity about the impact of democracy on growth revolves around whether more or less popular political participation leads to better or worse policy outcomes. Two contrasting arguments seem to be well documented. One argument is that more democratic arrangements may lead to greater public investments in infrastructure, greater (and more equitable) investments in human capital, more open trade policies, and better provision of a secure legal system and property rights. The other argument is that more democratic arrangements may have negative effects on government policies and actions when vested interests lobby for preferential treatment and against efficiency-enhancing reforms. (Isham, Kaufmann and Pritchett 1997)

More recent approach represents Kaufmann, Kraay and Zoido-Lobatón (1999b) who investigate the concept of governance proposed by the World Bank. They documented strong positive causal relationship from improved governance (measured by the six aggregate indicators – KKZ) to better development outcomes. Results of the empirical testing clearly indicate that there is a large payoff in terms of per capita incomes, infant mortality and adult literacy (Kaufmann, Kraay and Zoido-Lobatón 1999b; Kaufmann and Kraay 2003).

Knack (1999) found that aid dependence undermines the quality of governance, as measured by changes over time in an index of ICRG variables. Higher aid levels are associated with greater declines in the index; the strength of this effect increases when correcting for possible reverse causation from governance to aid levels. Technical assistance has a particularly damaging effect on the quality of governance. Knack (2000) also investigated the impact of foreign aid on democratization using the Freedom House indexes. According to him, aid can potentially promote democratization through the effects of conditionality, through programs attempting to strengthen parties, electoral systems, and civil society, or less directly through increasing income and education. However, Knack found that aid levels are unrelated to democratization, in tests designed to correct for possible reverse causation from democracy to aid levels.
Literature

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The Capacities to Govern in Central and Eastern Europe

1. Introduction

The damage caused by bad public policies and administration often is much more serious than the damage resulting from natural disasters. Bad public policy arises not only because of historically contingent ways of treating public affairs, but also due to the lack of policymaker readiness to cope with the entirely new challenges presented by “globalization.” As Dror (2001) notes, “the on-going globalization raises an urgent question of whether we are able to govern so as to avoid the bad and promote the good. If the [sic] governments fail to master the problem, it will mean not only an escape from democratic responsibility but also a failing leading most likely to the [sic] very undesirable and perhaps even catastrophic consequences in the future.” (10). In the Central and Eastern European region, the problems generated by globalization are further aggravated by specific factors that arise from the stresses, demands and handicaps of economic and political transformation.

The paper focuses on analyzing the key points in the articulation of the interests of differentiated social actors and their moderation and transformation into accepted public interests via constitutional, administrative, and political frameworks. Despite the considerable differences existing in the the post-communistic countries, some more general characteristics, stemming primarily from the legacy of communism in combination with the specific features marking the period of transformation in the 1990s, may be delineated. These include a striking imbalance between the limited capacities to govern and the demanding internal conditions and external factors under which governance runs.

Given such transformation, policymakers need to understand, through rigorous analysis, changes in society and within its “steering structures.” The relationship between political, economic and media power – as well as the qualities of the constitutional and political system

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need to be studied as does the environment in which public-interest led policy is implemented. The political system includes the study of its institutions, especially its legislative bodies and political parties, as well as the public administration including the relationship between politicians and administrators, coordinative mechanisms, crisis management, audits and the education of civil servants. The problem of public involvement and responsibility of citizens is also taken into consideration.

There is an increasing interest in studying the capacities to govern in international comparative perspective. Let us mention at least some of the ongoing projects: Corruption Perceptions Index (comparing the perception of corruption, used by Transparency International), Global Barometer (evaluating qualities of political institutions), World Business Environment Survey (the investment environment), Civil Society Index (the evaluation of the state of civic society, developed by CIVICUS), the second generation of Governance Indicators (quality of governance, the World Bank), Governance Quality Index (social, economic, political and civic conditions of societies under scrutiny), or World Competitiveness Yearbook (measuring economic competitiveness). These projects have different designs and aims but a similar philosophy and methodology: to use available data to compare different countries in order to help them to learn more about their strengths and weaknesses, and to help the decisionmakers to react to these findings by adjusted public policies. (Nekola 2004)

This paper attempts to contribute to this effort by presenting a general description of the state of governance in post-communist Central and Eastern European countries. The findings presented in this paper are drawn from a study of the Czech Republic as well as the results of an expert survey carried out in April 2003 at the 11th Annual Conference of the Network of Institutes and Schools of Public Administration in Central and Eastern Europe (NISPAcee) in Bucharest. The survey brought together a total of 78 experts from 23 countries.

2. The Ten Criteria of Good Governance

The definition of “good governance” starts with the identification of the diverse social interests and their expression in well-articulated public interests. Good governance encompasses methods of seeking, setting, implementing and evaluating public policies which cover the various present and future public interests in a society. An important part of such governance is performed by national public administration, and is executed in “competitive collaboration” with business and civic sectors.

The development of a more responsible and competent method of governance calls for measures to enhance government efficiency, openness and transparency, while promoting the involvement of citizens and civil society institutions in public affairs. Such a method of governance would reduce barriers to communication between politicians, civil servants and citizens through a broad-based and on-going debate about key political priorities and measures of implementation, a debate which should be conducted by civil society organisations. Such governance would open a public space allowing the direct participation of experts and citizens in the formulation of public interests, in drafting policy proposals, and implementing and monitoring public policies. It also reduces the space for the distortion caused by illegitimate intervention of private interests.
There are several critical factors that affect the efficient management of public interest articulation. From the experience of the Czech Republic and other Central and eastern European countries, ten criteria for “good governance” (the Ten Commandments) can be defined (Potucek 1999(a); Potucek, 1999(b); Potucek, 1999(c); Potucek, 2001; Potucek, 2002,; Purkrábek et al., 2000).

The first factor contributing to good governance is an analytical basis for decision-making. Such an analytical basis consists of the “cognitive environment” which allows decision-makers to find comprehensive evidence about public policy problems, their determinants, alternative ways how to solve them, threats and opportunities attendant with these solutions, as well as ways of avoiding potential threats and making full use of emerging opportunities. The establishment of advisory units which would co-operate with political leaders, senior administrative officials and specialists in the area of formulating and implementing various public policies represents an important means of building such decision-making analytic capacity.

Communication in the public space represents a second important factor contributing to good governance. The Rotterdam Program for Governance and European Integration (Rotterdam 1997) deals with the tasks of developing administration within the context of European integration and particularly in Central and Eastern Europe. Public administration effectiveness is inseparably linked with a vibrant civil society (without which fair and efficient policy is less likely). Administration carried out by Government only is not able and capable to respond adequately to the real needs of the people in many areas of public policy. Governments must search for partnership, co-operation, and joint decision-making with the civic sector. Policymaking councils are an example of such partnership as these councils consist of the government representatives, citizens, and the different interest group organisations which serve to help identify the broadly accepted public policies methods of implementing these policies.

The need for strategic thinking and governance, or the coordinated and renewable search and establishment of priorities for a particular state and society through an on-going dialogue, gained prominence during the 1990s. The responsible selection of priorities allowed countries such as Finland, Ireland and Taiwan to “work their way up” to lead an imaginary race with the group of prosperous and rapidly developing countries while simultaneously solving considerable domestic problems. Conversely, countries which did not search for such priorities and left natural national evolution fell behind.

The democratic mediation of interests represents a fourth factor of good governance. Political scientists currently analyze the reasons for the declining interest citizens have in public affairs and particularly their declining willingness to be engaged in the administration of public affairs. Such a decline is attributable to the crisis of the traditional system of interest representation caused by the constant decline in confidence in government and its institutions. If the proportionality rule applies -- in the sense that the more irresponsible the citizens are, the more unaccountable also are governments -- then the outlook for the future is bleak.

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6 For more information, see Rotterdam Program for Governance and European Integration published in 1997.

7 Civic sector institutions should be drawn into administrative activities (governance) without losing their initiative and independence in the process. Government involvement should aim at sharing information, having regular consultation, and in the end, building consensus among the parties involved.
Public interests crystallize from a clusters of heterogeneous individual, group, short-term as well as long-term interests. The more successfully Government listens to citizen views (including minorities, the poor and marginalized) as well as the views of business representatives and finds the broadest possible common denominator underlying their interests, the better the results. Yet, social change occurs so rapidly that any particular system representing the interests of these groups in society lags behind the requirements of time. The use of several channels in the evaluation of both existing and proposed policies should increase the overall efficiency of governance. Representative democracy needs to be complemented with participative democracy (connected with strengthening the civic sector’s political access) and direct democracy (through the introduction of referenda, electronic forms of articulation and reflection of social interests, and legal forms of lobbying.). A possible governmental response is to encourage all scale participation in public policy where citizens engage themselves in political parties, representative governmental bodies and in civic association as well as in public hearings, discussions, referendums, and petitions. Civic and political education if taught engagingly, may also contribute to good governance (especially in the long-run).

The transparency of political parties is a fifth factor in good governance as the role of political parties in the mediation of interests will always be crucial. Political parties do and should undergo a process of internal transformation and renewal. Their fundamental problem (except of those that managed to “survive” from the pre-1989 era) consists in small memberships – providing too small a base for selecting competent political leaders. There are shortcomings in the political training of both party members and non-members, in the generation of programs, internal management of party organisations (including personnel policies) and in intra-party democracy in the Czech Republic (Potůček et al., 1999). Attempts at increasing the transparency of party finance have have failed so far – putting their popular legitimacy into jeopardy and fomenting popular scepticism about the readiness to play the role ascribed to them in the Constitution. Popular interest in joining and working for political parties has stagnated in the 1990s in the Czech Republic. According to survey data, from the mid 1990s to 2003, only 3% of the adult population declared themselves members of a party and only an additional 3% have declared a potential interest in joining a party (Potůček 2000, Frič et al., 2002).

The accountability of the government is the sixth factor in good governance. In the Club of Rome report devoted entirely to the capacities to govern, Dror (2001) points out the vital importance of continually strengthening the capacities of public administration on the regional, national and especially global level. Such capacity strengthening comprises the continual improvement and enrichment of public administration functions – allowing government to adapt and respond quickly to changing conditions. The strengthening of capacity also entails making government more accountable to citizens’ needs. Public administrations should be more professional and effective. Capacity building will be complicated and difficult -- requiring firm and resolute political support.

Paradoxically, the removal of Communist party power has removed the supervisory superstructure which generated the fear important for State-inspired restraint and control. Control over State activities has been asserted in many Central and Eastern European countries with only a considerable delay; many officials in the meantime have taken advantage of chances to abuse their public positions in order to gain personal benefits. The U.S. General Accounting Office has at its disposal hundreds of the highly qualified specialists in domains such as law, public finance, public policy and public administration. Such supervisory auditing capacity
determines not only the way financial funds are handled, but especially the extent to which and the efficiency of which a given office is able to carry out its mandate. Systems of internal and external control in Central and Eastern Europe do not generate comparable pressure to guarantee the observance of regulations and ethical codes.

The **interweaving of politics, the market, and the media** is a phenomenon which contemporary democracies attempt to manage. What is at stake is to prevent the misuse of media by biased economic or political interests as well as the misuse of politics by strong economic interests. The societal transformation in the 1990s offered various actors considerable space to benefit from unjustified enrichment through the non-transparent exercise of influence on political decision-making. The large transfers of property in the region from the public to the private sector were conditioned on personal relations between economic and political elites, an inadequate legal framework underpinning privatization and the functioning of banks and other financial institutions – resulting in the massive misappropriation of public property. As Lindblom (1977) concluded in a clear-sighted way decades ago, the entire economy and society would fall under the yoke of clientelism sooner or later if no robust and controllable means were in place preventing such interconnection. The majority of citizens are the losers of this process as they do not have access to the uncontrolled and undeserved sources of wealth and power. Such wide-spread losses radically undermine the legitimacy of the whole political arrangement. Future imperatives will include continued improvement in the regulation of privatisation, financial markets, public and privately-owned media, public procurement contracts, political party finance, and public sector supervision.

The social transformation has also seen the rise of media power. At the time when traditional democratic institutions were forming, newspapers were brought to their readers by coach. While the political system has hardly changed since that time (the functioning of the state is still based on the division of power among the executive, legislative and judicial branches of government), the media has changed significantly. The media is becoming increasingly electronic; encircled the globe with an ever more compact network. The focus of power – namely the ability to influence people’s thoughts and actions -- has shifted dramatically away from rule-bound political and administrative institutions. Power has instead shifted toward media editorial offices, especially those of television. Institutions responsible for regulating the media emerged in the early 1990s with the legislators having only little media regulatory experience at the time. In case of publicly owned and operated media, the danger that such media may succumb to the political party currently in power remained present – as demonstrated during the crisis generated by the appointment of a new director of the public TV station in the Czech Republic in the end of 2000. As for the privately-owned media, they have immense freedom in the style and substance of their broadcasts; and there is a large scope available for making mutually advantageous informal deals between politicians and media actors. Sound regulation of both public and private media is required. Media councils lag hopelessly in their ability to guarantee equal access to the information channels and encourage balanced media reporting.

The eighth factor of good governance is an **appropriate approach to social exclusion**. The European Union promises to be a means for new Central and Eastern European member states to become more influential actors in the global regulatory regime. Nevertheless, the European Union is split as to whether to promote economic efficiency or the (social) quality of life for all. The Copenhagen criteria for accession (1993) were designed more as a technical (economic and
political) instrument rather than a tool to steer living conditions in the candidate countries. In the criteria, legal, economic and political issues prevailed while social ones were marginalized – being reduced to the preservation of individual human rights and the building of a loosely defined institutional framework. In the meantime, multinational corporations benefited from new markets created in the accession countries caused by changes in social welfare policy.\(^8\) National pension system reform opened the doors for private insurance funds by introducing the compulsory private (co-)insurance. Such reform offered lucrative markets as post-communist governments lacked strategic thinking, the necessary skills and to a considerable extent legitimacy to develop their own insurance markets (Deacon et al., 1997). Their regulatory capacities were much weaker than these of current EU member states -- where the impact of globalization on Welfare State(s) was much less influential (Ferrera-Hemerijck-Rhodes, 2001). Due to this neglect of social dimension of transformation, the implementation of the ambitious goals of the EU Lisbon Strategy, including the preservation of social cohesion and life-long education, will face serious difficulties in the new Central and Eastern European member states.

Good governance cannot be implemented without education in public policy and administration. The Czech Republic was infamous among Central and Eastern European countries for the absence of a self-contained system of civil servant training either in specialized university-level education or in the form of in-service training. This situation changed in 1998 with the formation of the Department for public administration reform within the Public Administration Section of the Ministry of the Interior. In 2000, the Government adopted a document establishing the Institute for State Administration which provides analytical, educational and coordinative functions at the central level of the State administration. Yet, a holistic and integrated system of civil servant education and training in the central State administrative bodies is unlikely to develop before the end of the decade.

The tenth and final factor for good governance involves the consideration of the global context of policy making. The imbalance between established modes of governance and the external conditions affecting such governance is growing. Governance systems in industrial societies with clearly defined social structure rely above all on national State institutions. Economic globalization, global perils to the environment, and the onslaught of new information and communication technologies comprise these changing external conditions as do new security risks. Present modes of governance are lacking the adaptability to these external changes, putting in jeopardy the quality and sustainability of life and, in some instances, even fundamental human rights. Early and consistent reform in public management and administration is needed, but the intellectual, organizational, motivational and material resources needed have been insufficient.

\(^8\) After 1989, transformation of Central and Eastern Europe brought about social problems that influenced the life and perceptions of the population in the candidate countries such as the spread of unemployment and poverty, new health problems, ethnic tensions and conflicts. The incidence and seriousness of these and other problems differ significantly around the Central and Eastern Europe region. In some countries, dual systems (corrupt black market services) have developed in the health care and education, associated with the overall deterioration of social security and educational systems.
## Figure 1: List of Good Governance Indicators

1. **Analytical basis for decision-making**
   - Availability of professional advisory capacity\(^9\)
   - The government nurtures advisory institutions, takes their recommendations seriously and strives to implement recommendations

2. **Communication in public space**
   - Government partners with the civic and commercial sectors
   - Functioning of tripartite institutions
   - Operation of policy-making councils
   - Organisation of public hearings and discussions
   - Existence of public communication competencies

3. **Strategic thinking and governance**
   - Existence of capacity to prepare and approve strategic decisions at all levels of the public administration
   - Development and discussion of national visions, strategies and doctrines
   - Co-ordinated preparation of departmental and cross-departmental middle-term visions, policies and plans
   - Existence of an effective system of implementation and updating of approved strategies

4. **Democratic mediation of interests**
   - Smooth operation of representative democracy without major disruptions
   - Existence of complementary mechanisms of participatory democracy (involvement of non-profit organizations in legislature and the legal regulation of lobbying)
   - Existence of complementary mechanisms of direct democracy (referenda, petitions, electronic forms of interest articulation and expression)

5. **Transparency of political parties**
   - Functioning of intra-party democracy and the prevention of the formation of oligarchy
   - Transparency of political party finance and submission to regular external checks
   - There is a developed system of political education of party members
   - Political parties attract new members
   - Popular perception of political parties as the legitimate vehicles of interest mediation

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\(^9\) Such advisory capacity can exist within or outside of the Government and can include consultants within the government, independent think-tanks, and academic research institutes.
6. Accountability of the government
- Effective system of intra-mural control in public administration units
- General Accounting Office and/or corresponding independent institutions executing extra-mural performance and budgetary audits
- Right to appeal to administrative courts
- Functioning of Ombudsman (ombudsmen) institutions
- Charters of citizens’ rights, patients’ rights, consumers’ rights

7. Interweaving of politics, the market, and media
- Prevention of political elite economic favoritism in decision-making
- Prevention of corruption at all levels of government
- Effective regulation of the public sector media
- Effective regulation of private-owned media
- Equal access to media by all competing political actors

8. Approach to social exclusion
- Establishment of long-term policies identifying social cleavages and developing approaches to reduce the threat of social exclusion in the market economy
- Coherent employment policies
- Sound social security systems
- Equal access to health care and education
- Tailored policies towards the vulnerable and minorities

9. Education in public policy and administration
- A comprehensive governmental programme aimed at enhancing the quality of instruction in public policy and administration
- In-service training capacities at all levels of public administration
- Broad tertiary education in public policy and administration
- Specific training programmes for politicians, journalists and citizens
- Exchange schemes with foreign institutes and schools for students and teachers

10. Global context of policy making
- Well defined national interests in the face of globalization and European integration
- Insight of analysts and politicians into the rapidly changing global context of national decision-making
- National administrative capacities to take part in supranational governance (such as the UN, EU, NATO, and OECD).
- Crisis management
3. Survey Results

Given the lack of systematic and targeted comparative analysis of public administration practices and institutions in the region, conclusions are difficult to draw about country public sector capacities. A research methodology looking at such capacities should draw on expert knowledge and judgment. The annual conferences of the Network of Institutes and Schools of Public Administration in Central and Eastern Europe (NISPAcee) are the meeting place of such experts and practitioners -- not only from the region, but also from the respected public administration research and teaching institutions from around the world. Given access to this pool of expert judgment, the participants of the 11th NISPAcee Annual Conference were asked to fill in a checklist with the ten criteria for good governance mentioned above for their respective countries. Explanations of question meaning were given to the respondents and the participants were asked to evaluate their countries’ capacities to govern according to all ten criteria. The scale for evaluation is shown in Figure 2.

Figure 2: Survey Evaluation Scale

<table>
<thead>
<tr>
<th>Description</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quite bad situation, no clear cut improvements foreseen</td>
<td>0</td>
</tr>
<tr>
<td>Mediocre performance, mixed results</td>
<td>1</td>
</tr>
<tr>
<td>Well done: remarkable achievements, good prospects for the future</td>
<td>2</td>
</tr>
</tbody>
</table>

Nearly eighty participants participated in the survey. Central and Eastern European countries evaluated by less than five participants were omitted in the cross-country results. The developed countries included the USA, United Kingdom, France, the Netherlands, Germany (11 cases overall). In addition, the survey was carried out at the beginning of October 2003 within my course at the Georgian Institute of Public Administration in Tbilisi. Respondents in this second survey were students of the Public Administration MA program at the Institute. The evaluated Central and Eastern European countries included Czech Republic, Estonia, Georgia, Lithuania, Macedonia, Poland, and Ukraine (74 cases altogether). The results of such a comparison are presented graphically in Figure 3 and numerically in Figure 4.

The countries of Central and Eastern Europe have scores of capacities to govern, on average, below those of the Western democracies. As can be seen from the data, the Western countries score roughly 1.5 on each of the various components of good governance while the variance for Central and Eastern European countries is higher – averaging slightly below the 1.0 range. Despite these averages, individual countries show significantly more variance on each of the components than the region average indicates. In order to see this variance, country plots are given for the Czech Republic (Figure 5), Estonia (Figure 6), Georgia (Figure 7), Lithuania (Figure 8), Macedonia (Figure 9), Poland (Figure 10), and Ukraine (Figure 11).
Figure 3: Comparison of capacities of governance in Western and Central and Eastern European countries

Figure 4: Average scores of selected CEE countries

<table>
<thead>
<tr>
<th>Criteria → Country ↓</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Republic</td>
<td>1.05</td>
<td>0.86</td>
<td>0.5</td>
<td>1</td>
<td>0.55</td>
<td>0.96</td>
<td>0.59</td>
<td>0.96</td>
<td>1.05</td>
<td>0.73</td>
<td>11</td>
</tr>
<tr>
<td>Estonia</td>
<td>0.83</td>
<td>1.08</td>
<td>0.92</td>
<td>1.17</td>
<td>0.67</td>
<td>1.67</td>
<td>0.92</td>
<td>0.67</td>
<td>2</td>
<td>0.75</td>
<td>6</td>
</tr>
<tr>
<td>Georgia</td>
<td>0.42</td>
<td>0.35</td>
<td>0.29</td>
<td>0.58</td>
<td>0.40</td>
<td>0.29</td>
<td>0.75</td>
<td>0.35</td>
<td>0.46</td>
<td>0.50</td>
<td>26</td>
</tr>
<tr>
<td>Lithuania</td>
<td>1</td>
<td>1.14</td>
<td>1</td>
<td>1.33</td>
<td>0.71</td>
<td>1.17</td>
<td>1.29</td>
<td>0.86</td>
<td>1.29</td>
<td>0.86</td>
<td>7</td>
</tr>
<tr>
<td>Macedonia</td>
<td>1</td>
<td>1</td>
<td>0.57</td>
<td>1.29</td>
<td>0.14</td>
<td>1</td>
<td>0.71</td>
<td>0.86</td>
<td>0.71</td>
<td>0.71</td>
<td>7</td>
</tr>
<tr>
<td>Poland</td>
<td>0.75</td>
<td>0.67</td>
<td>0.33</td>
<td>0.67</td>
<td>0.5</td>
<td>1</td>
<td>0.58</td>
<td>1.08</td>
<td>1</td>
<td>1.17</td>
<td>12</td>
</tr>
<tr>
<td>Ukraine</td>
<td>1</td>
<td>0.8</td>
<td>0.2</td>
<td>0.2</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
<td>0.6</td>
<td>1</td>
<td>0.8</td>
<td>5</td>
</tr>
<tr>
<td>CEE countries</td>
<td>0.86</td>
<td>0.84</td>
<td>0.54</td>
<td>0.89</td>
<td>0.54</td>
<td>0.98</td>
<td>0.80</td>
<td>0.77</td>
<td>1.07</td>
<td>0.79</td>
<td>74</td>
</tr>
<tr>
<td>W countries</td>
<td>1.68</td>
<td>1.55</td>
<td>1.23</td>
<td>1.18</td>
<td>1.18</td>
<td>1.55</td>
<td>1.32</td>
<td>1.41</td>
<td>1.32</td>
<td>1.4</td>
<td>11</td>
</tr>
</tbody>
</table>
Figure 5: Comparison of capacities of governance in the Czech Republic with the Western average

Figure 6: Comparison of capacities of governance in Estonia with the Western average
Figure 7: Comparison of capacities of governance in Georgia with the Western average

Figure 8: Comparison of capacities of governance in Lithuania with the Western average
Figure 9: Comparison of capacities of governance in Macedonia with the Western average

Figure 10: Comparison of capacities of governance in Poland with the Western average
Figure 11: Comparison of capacities of governance in Ukraine with the Western average

Figure 12 compares average values across all ten criteria for the group of Western democracies, the group of all included Central and Eastern European countries (except Georgia), with the seven countries that were represented by five or more survey respondents. As can be seen, there is some variance across the region, with Estonia and Lithuania topping the list while Georgia receives scores much lower than the regional average.
A number of interesting preliminary conclusions may be drawn from the expert survey. The Baltic countries display higher “good governance scores” than the countries of Central Europe -- which, in turn, have higher scores than Ukraine, not to speak about Georgia. Comparison of the individual factors of good governance for all countries suggests education in public policy and administration, accountability of the government, and analytical basis for decision-making were the strongest dimensions of governance in the region, while the weakest dimensions included the transparency of political parties, with strategic thinking and governance, and the interweaving of politics, the market, and media receiving only slightly higher scores.

Yet, the relevance of these data should not be exaggerated as the expert surveys have apparent methodological limitations. As most of the questioned experts were educators and researchers, not surprisingly education and analytical capacities scored better than issues associated with the core governmental activities. Expert selection was based on their participation in a specific international conference without the application of more elaborate sampling techniques which might have generated a more balanced composition of experts with a wider scope of expertise. Despite these methodological limitations, even this preliminary diagnosis should attract the attention of decision-makers and thus contribute to a better understanding of developmental needs of the Central and Eastern European countries in their continuous effort to achieve better governance.

4. Conclusion

The answer to the question posed at the beginning of this paper is quite simple. Current Central and Eastern European modes of governance are inadequate to deal with the needs of the region and the global challenges with which these countries are grappling. The citizenry as well as political representatives should fully realize the importance improving the foundations for good governance in order to raise the quality of life of current and future generations. Policymakers should urgently adjust their policy and administrative priorities based on this recognition.
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