2. GOOD GOVERNANCE: A THEORETICAL FRAMEWORK

2.1 Origin and Definitions of Governance

Governance, like regulation theory, is not an invention of communication science. The origin of governance can be traced to various disciplines. Governance, as a scientific term, evolved in the field of economics. In the beginning, governance was used to describe institutional rules that helped to reduce transaction costs. In this perspective, the hierarchy of the firm is seen as an alternative to market coordination (Benz, Lütz, Schimank, and Simonis, 2007). Nowadays, governance in the economics normally refers to corporate governance that is the separation of ownership and control in corporations (Fama and Jensen, 1983). Drawing on agency theory, scholars focus on the relationship between owners, mostly shareholders, and management, and raise the question of how management can be controlled and held accountable (Kersbergen and Waarden, 2004).

Governance finds its root in political science. Initially, governance was used in the field of international relations. International organizations, regimes, and agreements are regarded as forms of global governance which is suitable for solving transnational problems beyond the jurisdiction of single nations-states (Wilkinson, 2006). “Governance without government […] presumes the absence of some overarching governmental authority at the international level” (Rosenau, 1992). Thus, governance fills power structures in the power vacuum of international relations. In Europe, another use of governance attracts growing interest. In relation to the European Union, the term multilevel governance is used to describe and analyze the interplay between different levels of decision making (Bache, 2006; Bevir, 2009). Democratic governance implies yet another view on governance. It is an inherently normative approach discussing ways to improve regulation and government (Benz, 2004). In this vein, governance often refers to the necessity of involving civil society in decision making on all levels of the political system (Mayntz, 2004). Governance is associated with participatory and deliberative processes in civil society, social movements, and active citizenship (Bevir, 2009, p. 8). More recently, regulatory reform is described as a move from government to governance. Statutory regulation confronted with numerous societal changes like state's possibilities to regulate are said to be limited due to the increasing complexity of social problems, the fragmentation of knowledge and power; also, the growing autonomy of different parts of society, as well as the blurring distinction between state and society (Black, 2001,). As a consequence, “new governance” is deemed necessary.

Aside from these uses of governance in economics and social sciences, governance is heavily used in politics. Since the 1980s, the World Bank commits itself to the diffusion of so-called good governance in the developing countries. It calls for public sector reforms often associated with neoliberalism. The Organization for Economic Co-operation and Development also promotes principles of good governance such as reliability, accountability, effectiveness, and transparency of governing (Kersbergen and Waarden, 2004).

2.2 Narrow and Broad Definitions of Governance

The term Governance is widely used in different disciplines and political practices. This quality of governance as a “catch-all word” (Lange and Schimank, 2004) comes at the cost of clarity. Thus, a definition is needed. When interested in policy and regulation, the more recent governance debates associated with regulatory reform that emerged in political science seem particularly
helpful. Statutory regulation is affected by the same problems. Additionally, it is challenged by rapidly changing factors like convergence, commercialization, and the globalization of social and cultural life as well as of economic arrangements “exert pressure towards a more extensive and differentiated form of social management” (McQuail, 2007). As a consequence, it is argued that traditional statutory regulation is insufficient and that new forms of regulation are needed (Schulz and Held, 2004; Tambini et al., 2008). When discussing this assumed need for reform, scholars usually distinguish between narrow and broad definitions of governance.

In its narrow sense, governance refers to changing polities, politics, and policies and “signifies a change in the meaning of government, referring to a new process of governing; or a changed condition of ordered rule; or the new method by which society is governed” (Rhodes, 1996). Accordingly, scholars stress the difference between government, that is, hierarchical statutory forms of regulation, and governance, that is, new, innovative, and cooperative forms of regulation (e.g., Benz, 2004; Pierre and Peters, 2000). In this view, governance “only comprises types of political steering in which non-hierarchical modes of guidance [...] are employed, and/or public and private actors are engaged in policy formulation” (Héritier, 2001). Traditional statutory regulation (or “government”) is explicitly considered to be outside the scope of governance.

In contrast, broad definitions of governance go beyond so-called new forms of regulation and focus on collective coordination in general. (Pierre, 2000) defines governance as “sustaining coordination and coherence among a wide variety of actors with different purposes and objectives such as political actors and institutions, corporate interests, civil society, and transnational organizations.” Similarly, Mayntz (2004, p. 66) points out that governance refers to the regulatory structure as a whole, encompassing the entirety of forms of collective rules in society, ranging from self-regulation of civil society to traditional regulation by government. These broad definitions emphasize that governance is not taking place beyond the state (as governance as a label for new forms of regulation insinuates). On the contrary, governance encompasses statutory regulation as well (Benz, 2004; Héritier, 2001). It is a mix of governing efforts by public and private actors occurring at different levels and in different modes (Kooiman, 2003; Mayntz, 2004, p. 66).

This broad view of governance is adopted for several reasons: First, restricting governance to its use as an ideologically laden label for allegedly new and better forms of regulation implies that regulatory reform is inevitable due to government failure and a variety of social, economic, and technological changes. This argument is in line with a neoliberal narrative distinguishing between “bad” governance and “good” governance involving a minimal state (Bevir, 2009, p. 5). However, regulation is not determined by commercialized markets and technological convergence but the result of political decisions. These functional approaches that view governance primarily as a response to governability problems arising from social complexity neglect the important issue of democratic accountability (Papadopoulos, 2003).

Second, the state remains important despite the emergence of non-statutory forms of regulation. On one hand, the hierarchy between state and society cannot that easily be dismantled: The state keeps its monopoly on the legitimate use of coercion and governments are elected in order to resolve collective problems (Black, 2001). Hence, traditional statutory regulation is not rendered obsolete by governance (Kooiman, 2003). On the other hand, the capacity for conventional “command and control” regulation is said to be complemented and gradually replaced by a capacity for influence (Mayntz, 2004, p. 72; Peters and Pierre, 1998, p. 226). The new role of the state is being a facilitator or a primus inter pares. “The new governance, we reiterate, does not mean the end or
decline of the state but the transformation and adaptation of the state to the society it is currently embedded in. In particular, the state remains crucial as a goal-setting structure” (Pierre and Peters, 2000, p. 68). In this context, scholars speak of “meta governance” in order to describe how the state steers the various organizations and actors involved in governance (Kooiman, 2003).

Finally, many supposedly innovative forms of governance may turn out to be quite old (Treib et al., 2007): Whether a phenomenon is old or new is not a question of definition but of empirical analysis. “The debate over governance may simply be that the academic community catching up with the reality of the public sector in the contemporary world” (Peters and Pierre, 1998, p. 240). For instance, self-regulation has already a long tradition in the sector and was important even before social scientists had the right words to capture such arrangements (Pierre and Peters, 2000, p. 30).

2.3 Defining Governance
Given the above discussion, an essential requirement for any definition of governance is that it encompasses the entirety of forms of collective rules in the sector. In line with this comprehension of governance, (Freedman 2008, p. 14) stresses that governance is broader than statutory regulation and “refers to the sum total of mechanisms, formal and informal, national and supranational, centralized and dispersed, that aim to organize systems.” This definition promises to be of substantial value for policy research.

However, like any definition based on the debates about regulatory reform in political science, it focuses on collective rules and excludes the different forms of governance existing at the level of single organizations. Therefore, a broader comprehension of the term governance is needed. Lange and Schimank (2004, p. 19) go beyond the collectively binding rules and decisions that lie at the heart of political science and define governance as patterns of coping with interdependencies between actors. In this sense, governance refers to all patterns of rule and explores the construction of social order and social coordination (Bevir, 2009, p. 3).

Therefore, governance can be defined as the regulatory structure as a whole, i.e., the entirety of forms of rules that aim to organize the systems. This definition covers both collective and organizational governance. Likewise, Hamelink and Nordenstreng (2007, p. 232) refer to governance as a “framework of practices, rules, and institutions that set limits and give incentives for the performance of the system.” McQuail (2007, pp. 17–18) describes governance as both the numerous forms of management and accountability within the system and the institutionalized relations between the system and society.

2.4 What is Good Governance?
As the basic premise for discussing good governance, this present study considered the functional aspect of governance: whether governments have achieved their stated objectives effectively and efficiently or not? Good governance helps countries to achieve sustainable and self-reliant development and social justice. Good governance comprises of two concepts: i) the ideal orientation of a state that works best to achieve self-reliant and sustainable development and social justice; and ii) the ideal functioning of government that operates most effectively and efficiently.

The key point of the former, i.e., the ideal orientation of a state, hinges on whether the state's basic attitudes are democratically oriented. Elements contributing to this include, for example, the
legitimacy and accountability of the government, the securing of human rights, local autonomy and devolution of power, and civilian control of the military.

The latter, the functioning of the government, depends on whether a government has the requisite political and administrative structures and mechanisms and the capability to function effectively and efficiently. Elements contributing to the latter concept of good governance include the basic laws and institutions of a nation, the administrative competence and transparency, decentralization of its administration, and the creation of an appropriate market environment; all of these are needed to support people's participation in every aspect of politics, the economy, and society. These are therefore necessary components of good governance as "the government functioning as the basis for participatory development."

Good governance as expressed through factors like reliability, predictability and accountability is increasingly seen as a key factor in ensuring national prosperity. However, many aspects of the relationship between good governance and national prosperity are still poorly understood and may indeed vary across countries. Some basic questions include:

i. What is good governance and why is it important for economic and social development?

ii. What is the role of such factors as the rule of law, transparency, accountability and public service ethics in promoting good governance?

iii. How can good governance be promoted in transition to more open and democratic societies?

iv. What lessons have been learned from public management reforms about the importance of good governance for achievement of social and economic objectives?

v. What are the key aspects of good governance, and are these universal or relative to individual countries?

Recent economic and social developments have increased attention towards the role of good governance in achieving social and economic development.

i. Public management reforms have been a key factor in improving capacities of OECD countries to address issues such as budget deficits; external pressures on competitiveness, not least as a result of growing globalisation; perceived lack of public confidence in government; growing needs for services; and increasing demands for better and more responsive services

ii. There is also a growing recognition that the current world financial crisis stems from weaknesses in the institutions of governance, and that durable solutions to this crisis need to address these governance problems.

iii. Systems of governance affect the performance of the state in executing its core functions and through this, the performance of countries in meeting their major economic and social goals.

iv. Governments create the conditions for functioning of markets, operation of private firms, strength of civil society, and welfare of communities and individuals.

v. The quality of governance is recognised as fundamental to ensuring the quality of life of citizens.
vi. In its own right, good governance is important as a determinant of the sustainability and strength of democracies.

2.5 Aspects of Good Governance
Good government depends on an ability to exercise power, and to make good decisions over time, across a spectrum of economic, social, environmental and other areas. This is linked with the government’s capacity for knowledge, mediation, resource allocation, implementation and maintenance of key relationships.

There are many ways to define governance and good governance. However, there seems to be a general consensus that key factors include:

i. Technical and Managerial Competence
Technical and managerial competence of civil servants is an obvious factor of good governance. This may be less of a constraint than it used to be, as access to education has improved, but rapid changes require on-going development of skills.

ii. Organisational Capacity
Good governance has to be built on the quality of organisations so that development is based on this rather than simply relying only on political will, personal will of a strong leader and state power, which may not be sustainable over the longer term. Having skilled staff is not sufficient if the government organisations do not have the capacity to make good use of these skills. Capacity of government organisations is a key factor in the provision of many important services to businesses and the public, and in creating conditions for economic progress and social cohesion. The organisational structure and management systems of government have been reformed in many OECD countries. The problem was often seen as excessive centralisation, inflexibility and lack of efficiency. The key response to this has been to provide managers and staff with more autonomy in operational issues in return for more accountability for performance. In other countries the problem may be a lack of accountability and discipline in the administration, often with associated corruption. In such situations the response typically will need to focus on strengthening the basic management systems of government, involving to a certain extent increased bureaucratisation.

iii. Reliability, Predictability and the Rule of Law
The rule of law refers to the institutional process of setting, interpreting and implementing laws and other regulations. It means that decisions taken by government must be founded in law and those private firms and individuals are protected from arbitrary decisions. Reliability requires governance that is free from disoriented incentives - through corruption, nepotism, patronage or capture by narrow private interest groups; guarantees property and personal rights; and achieves some sort of social stability. This provides a degree of reliability and predictability that is essential for firms and individuals to take good decisions. Reliability and predictability do not mean that the more specific the regulations are the better. Excessive specification can lead to rigidities and risk of selective application of regulations. Interpretation and effective implementation of individual regulations requires a degree of discretion. This discretion can be counterbalanced by administrative procedure legislation and external reviews of decisions (appeal mechanisms, judicial review, ombudsmen etc.). Reliability and predictability require certain degree of political stability. Governments need to be able to make credible commitments and persuade the private sector that decisions will not ultimately be reversed due to political
uncertainty. While this is not necessarily related to a particular political system in the short term, over the longer term democracy enhances stability by giving a voice to citizens to express their preferences through an open competition.

iv. Accountability
Accountability can be both an end in itself - representing democratic values - and a means towards the development of more efficient and effective organisations. Politicians and public servants are given enormous power through the laws and regulations they implement, resources they control and the organisations they manage. Accountability is a key way to ensure that this power is used appropriately and in accordance with the public interest. Accountability requires clarity about who is accountable to whom, for what. The civil servants, organisations and politicians are held accountable for their decisions and performance. Accountability can be strengthened through formal reporting requirements and external scrutiny (such as an independent Audit Office, Ombudsmen, etc.). Democratic accountability, as represented by accountability of ministers to parliament and the parliament to voters, can be seen as objective in itself, but it also strengthens accountability in general. Many OECD countries are strengthening accountability through more focus on accountability for performance as opposed to limiting accountability to regularity of decisions.

v. Transparency and Open Information Systems
Transparency is an important aspect of good governance, and transparent decision making is critical for the private sector to make sound decisions and investments. Accountability and the rule of law require openness and access to information so that higher levels of administration, external reviewers and the general public can verify performance and compliance to law. Governments have access to a vast amount of important information. Dissemination of this information through transparency and open information systems can provide specific information that firms and individuals need to have to be able to make good decisions.

vi. Participation
Participation can involve consultation in the development of policies and decision-making, elections and other democratic processes. Participation gives governments an access to important information about the needs and priorities of individuals, communities and private businesses. Governments that involve the public will be in a better position to make good decisions, and decisions will enjoy more support once taken. While there may not be direct links between democracy and every aspect of good governance, clearly accountability, transparency and participation are reinforced by democracy, and themselves are factors in support of democratic quality.

vii. Relations Between Different Aspects of Good Governance
There are complex relations between the different aspects of good governance. In many ways some factors can be seen as preconditions of others (e.g. technical and managerial competence is one precondition of organisational capacity, and organisational capacity is one precondition of maintaining the rule of law). But there are also important effects in the other direction (e.g. organisational capacity building reinforces technical and managerial competence, accountability reinforces the rule of law).
2.6 Sustainable Development and Good Governance
   
   i. Development is primarily a domestic responsibility
      The responsibility for sustainable development at the national level – that is, for the complex mosaic made up of economic, social, political, cultural and ecological components that must be put together under a specific set of conditions – lies first and foremost with the countries concerned. Any improvement in the people’s quality of life has to begin and be maintained “at home”. Of course, a favourable economic environment and fair conditions of competition and trade will make a country’s efforts to that end easier, but “outside” players can only support and facilitate sustainable development – they cannot replace a country’s own endeavours. Its economic, social and political fabric is of immense importance for a country’s success in developing itself. That fabric depends, above all, on the nature of the development policy that the country has chosen to follow as well as on the quality of its government and authorities.

   ii. Positive contribution to development
      Various developing countries which are quite comparable in terms of their natural resources (land, water, arable soil, minerals, climate etc.) and social structures have over the past thirty years shown strikingly differing records of economic and social progress. Measured by the criteria of child mortality, life expectancy and literacy – the key indicators of quality of life – some countries have made considerably greater progress than others, even though they all operate in the same world economic environment and have comparable colonial pasts. This shows that historical burdens, adverse international economic conditions such as falling raw material prices or other external factors, though important, do not have a decisive impact on the achievement of a higher quality of life in the countries concerned. In light of this fact, coupled with the uneasiness caused by irresponsible rulers in a number of countries, the matter of “governance” has come to the forefront of the debate over development policy. “Governance” is the art of public leadership. There are three distinct dimensions of governance:
      First, the form of political regime; second the process by which authority is exercised in the management of a country’s economic and social resources; and third, the capacity of governments to design, formulate, and implement policies and discharge functions.

      The criteria that constitute good governance have been drawn from these three dimensions, and include: legitimacy of government (degree of “democratization”; accountability of political and official elements of government (media freedom, transparency of decision-making, accountability mechanisms), competence of governments to formulate policies and deliver services, respect for human rights and rule of law (individual and group rights and security, framework for economic and social activity, participation).

   iii. General lessons for sustainable development
      A government that shoulders responsibility for sustainable development and ensures its people have safety and security, solidarity, order and continuity; creates an environment in which its citizens can exercise their productive, political and cultural abilities. Strategies for overcoming social inequalities and economic underdevelopment are like a complicated puzzle. Various pieces of the puzzle have to be sifted through and put together to give an overall picture that corresponds to the specific conditions within a country. Yet, despite the great diversity of existing economic and social settings, there are a few general lessons for successful sustainable development that can be drawn from the experience amassed over
the past forty years. At the macro-level, the following policies and measures have proved effective: A sound economic and financial policy designed to forestall high inflation rates or overvalued currencies as well as limiting government activities to the tasks that the market cannot handle results in economic growth based on allocation mechanisms in conformity with the market economy. Economic growth is a critical but not the sole requirement for success in the fight against poverty. It is equally important to have a social policy that places particular emphasis on meeting basic human needs. Education, training and extension services and availability of credit fosters self-reliance and initiative among people belonging to all segments of society. Another contributing component is a social climate where opportunities for personal development are available to everyone irrespective of gender, race, socio-cultural background or other differences. Where a socio-economic ambiance of this quality has been put into effect, it has led to impressive economic success from which the lowest income groups have also benefited, since government expenditures in the education and social welfare sectors could be financed from it. Such countries have also been more successful than others with respect to the ecological sustainability of their development policy. Where progress in achieving good governance is lacking, there development be it economic, social or ecological does not take place. On the contrary, in most cases stagnation at an already low level or even reversals have been the results. A number of sub-Saharan countries can serve as warnings in that regard. Poor governance generates a social environment detrimental to development. In such cases external aid, whatever the amount or intention, has little effect. Indeed, it can even be harmful if it contributes to prolonging an undesirable state of affairs. “Good governance” puts people into the centre of development. “Where people grow, profits grow”: this well-tried business rule is applicable to development policy as well. A national development policy of this calibre can then be successfully supported through international cooperation.

iv. The driving force behind development assistance
By “development assistance” – or in more modern terms, “financial and technical development cooperation” – we understand a range of activities of various partners that promote the participation of the developing countries in the world economy, and that help people to overcome poverty and share in their country's development. Development cooperation can take on various forms: financial or technical support for projects and programs, provision of capital or infrastructural goods or of credit on easier terms.

Humanitarian aid is the aspect of development cooperation directed towards bringing speedy relief during emergencies, such as those caused by natural disasters or war. Development assistance is extended out of all kinds of motives, from well-considered self-interest to a sincerely felt moral duty. Until the end of the East-West conflict, geostrategic considerations also played an important role. They no longer do, leaving both an opportunity and a problem for development cooperation. The opportunity consists in the possibility of allotting funds solely according to rational criteria such as “good governance”. Without such a guideline an effective and efficient utilization of the available resources will not ensue. In times of financial and budgetary belt-tightening as well as mounting social challenges in industrialized countries development cooperation must also accept certain constraints. This situation compels cautious decision-making and efficient performance. It means having to do more for the poverty-stricken in developing countries with fewer means available. Only quality management will ensure that development assistance continues to enjoy the high regard it now has in industrialized countries. The
situation is not without risks. If, beset by their own problems, the developed countries cannot manage to see beyond their own noses, and they will fail to realize that the socio-economic development of poor countries is in their own best interest. This would not only endanger global peace and progress, it would also lead to adverse repercussions on the economies of industrialized countries. Growing poverty in developing countries would also intensify the pressure on their people to emigrate, again with complex consequences for all industrialized countries. A cutback in funding would coincide with ongoing high rates of population growth and most likely with dwindling environmental resources as well. If the problems remain the same or worsen, and the funds made available to solve them stagnate or shrink, then new sources of funding must be found. Even more importantly, every possible way of improving quality, effectiveness and efficiency has to be fully utilized. This applies across the board, but most particularly to those engaged in development cooperation.

2.7 Participatory Development and Good Governance

Participatory development and good governance are related in the following way: participatory development, with its central focus on raising the quality of participation by local societies for better, self-reliant and sustainable development and social justice, is an important aspect of people-oriented development. Good governance is the foundation of participatory development to promote participation and creating the environment in which participatory processes take place. Promoting participatory development by the government boosts people's trust in their government, and increases effectiveness and efficiency of government services. Thus in the long run, good governance evolves into stronger aspirations for further democratization. The strength of a state's desire for democracy also influences the process of formation of political and administrative structures and government's capability to translate this national stance into action.

2.8 Participatory Development and Good Governance in Indian Perspective.

Participatory development and good governance should not be added as a new field of Indian Official Development Assistance (ODA) but should underlie all aid as part of its conceptual basis. A tide of political democratization and economic liberalization based on competitive principles has been sweeping the world and stimulating, in its wake, the drive toward a new role for government. A shift is also occurring in development strategies, away from a single focus on economic growth and toward greater emphasis on sustainable development. Many countries, moreover, are becoming aware (albeit to varying degrees) of the need to provide opportunities for broader participation as a complement to government-led development approaches. Yet in consideration of the present widening disparities in developing countries such as those between the rich and the poor groups of society, it is necessary to review past methods of promoting economic and social development in developing nations.

The points to examine are namely: (i) whether local societies, the assumed beneficiaries of development, have adequately reaped the rewards, and whether the capability of local people and communities to participate has been fostered in such a way as to compensate for the deficiencies of the government-led approach, (ii) whether arrangements within the framework of top-down decision making and the government functions that support it could have worked to narrow gaps and promote participation by local societies, and (iii) whether development aid has stimulated developing countries themselves to remedy the distortions at their roots.
India’s aid projects have been implemented in a wide range of fields and are producing tangible results. These projects have involved the cultivation of human resources, for development practitioners and leaders engaged in development tasks in developing countries, improvement of social services, and infrastructure building. More recently, they have expanded to include areas recognized as being especially important in development: environmental conservation, the rectification of regional disparities, and the fulfilment of basic human needs (BHNs). In order for Japan to ensure that its development aid takes root more firmly and contributes more significantly to the realization of social justice and sustainable and self-reliant development by developing countries in the future, it is important for Japan to include the concept of participatory development in the scope of its aid and to implement aid in such a way that developing nations' governments promote participatory development voluntarily and are capable of carrying out good governance.

In other words, it is extremely important to clarify how the results of development projects have contributed to human development in aid planning, implementation, and evaluation. To clarify this, it is necessary both to strive to more accurately understand the economic and social conditions and needs of the intended ultimate beneficiaries and reflect them in aid planning and implementation and to give support for the building of community organizations and institutions to enable more people to take advantage of aid achievements and participate in development themselves at the local and regional level. It is also important to assist recipient governments to create organizations and institutions that will enable them to promote policies that improve people's social capabilities. Aid to strengthen the public sector must create the structures and foster the competence needed by governments to assume roles as effectively and efficiently to promote their people's broad-based capabilities and to respond to the people's expression and will.

**Conclusion**

As a minimal strategy Moody-Stuart recommends, among other things, that companies which do business in developing countries and are approached by top officials for “commissions” refrain from taking part in sales transactions or projects that in the company's judgment are disadvantageous for the buyer or interested authority, respectively. Further, no compromising of the company's standards should be entertained, even when the customer appears to be “magnanimous” (Kleinwächter, W., 2008)