THE QUALITY OF GOVERNMENT INSTITUTE

UNIVERSITY OF GOTHENBURG

Making Development Policy Work:
The Quality of Government Approach

A report commissioned by the Swedish Government's Expert Group for Aid Studies

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The Quality of Government Institute at the University of Gothenburg

- Started in 2004 (minor grant to build database)
- Independent academic research institute
- ”Center of excellence” funding in 2007, 2009 and 2013. About 13 mil Euro.
- About 25 researchers + 8 research assistents
- A Political Science operation but with much interdisciplinary collaboration (history, economics, sociology anthropology, psychology)

Aims of the QoG Institute

- Three main research questions:
- What is QoG?
- What do you get from QoG?
- How to get QoG?
- Main dependent variable is not politics or policies but human well-being

The Expert Group Report: Aims and rationale

- To summarize the results of research from the Quality of Government approach in terms of its importance for development and aid policy (General and Swedish)

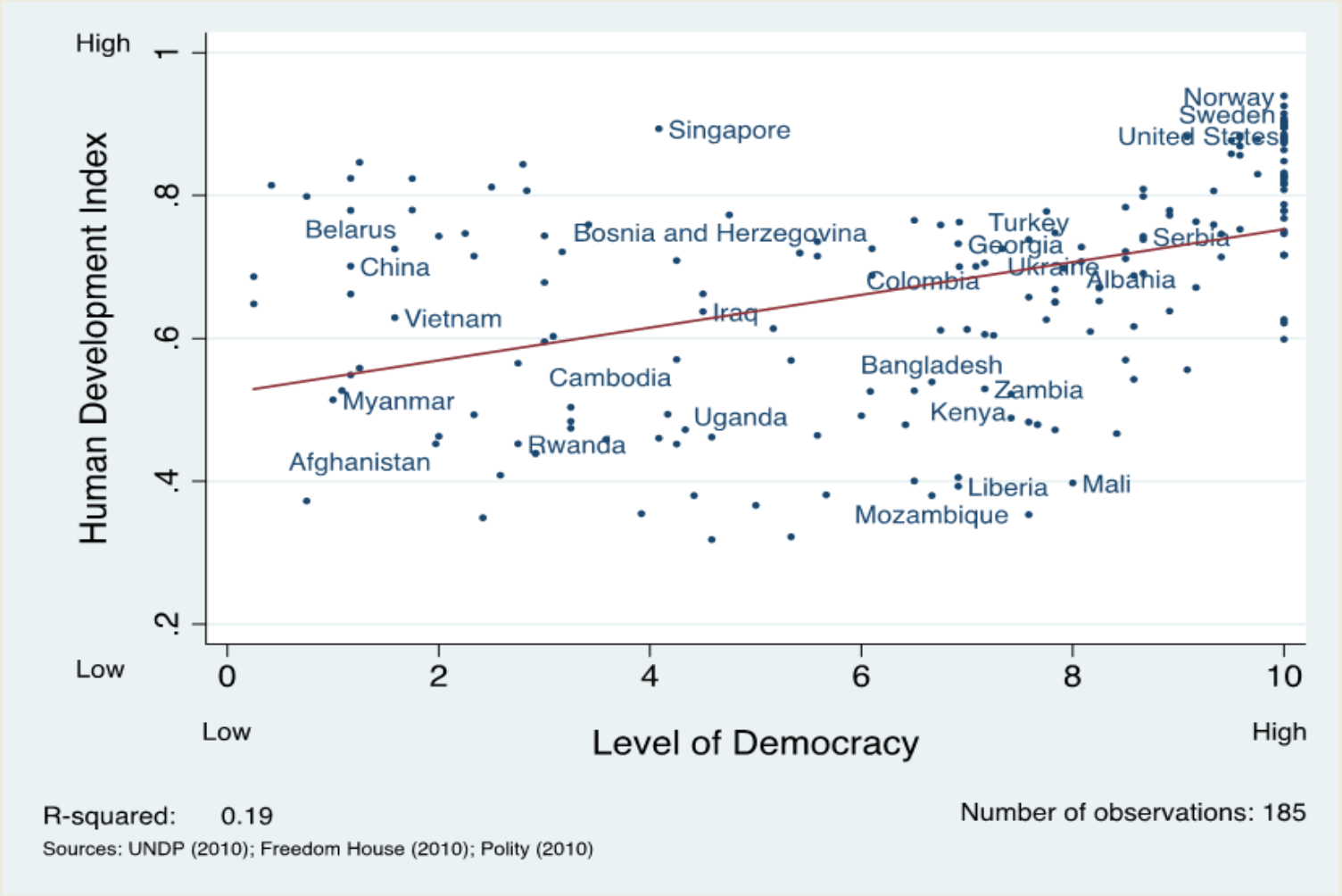
- Quality of Government (QoG) is understood as pertaining to the public institutions responsible for the implementation of public policies, i.e., the public administration, public services and the judiciary.

- QoG is about the exercise of political power, not the access to political power (which can be labeled ”quality of democracy”

Starting point: The institutional turn in development research

- The failure of Marketization and the Washington Consensus
- Everyone (almost) now agrees that ”institutions rule” and that “corruption does not grease the wheels” of development
- However, there is little agreement about which institutions rule…
  - Democracy?

Level of Democracy and Human Development Index

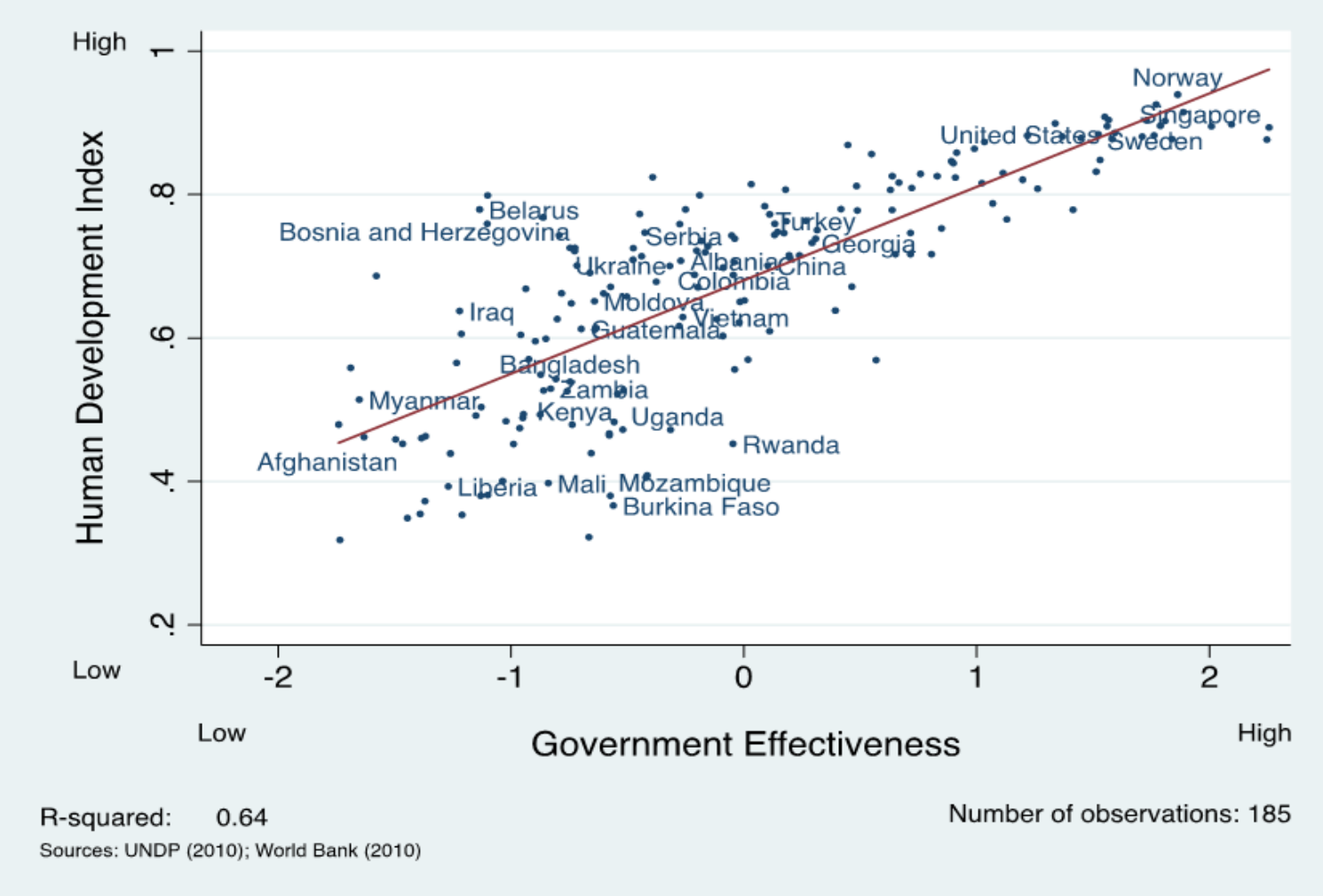


R-squared: 0.19

Number of observations: 185

Sources: UNDP (2010); Freedom House (2010); Polity (2010)

QoG and Human Development Index



R-squared: 0.64

Number of observations: 185

Sources: UNDP (2010); World Bank (2010)

Starting point: The institutional turn in development research

- The failure of Marketization and the Washington Consensus
- Everyone (almost) now agrees that ”institutions rule” and that “corruption does not grease the wheels” of development
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  - Democracy?
  - China vs India, Singapore vs Jamaica, South Africa
  - Striking variation across well-preforming countries
  - Formal and informal rules

Little knowledge about how to create "good institutions"

- the international development and aid community "would like to turn Afghanistan, Somalia, Libya and Haiti into idealized places like 'Denmark' but it doesn't have to slightest idea of how to bring this about" - Francis Fukuyama (2014)

- although "formal institutions can be changed by fiat", informal institutions evolve in ways that are still far from completely understood and therefore are "not typically amenable to deliberate human manipulation" - Douglass North (2006)

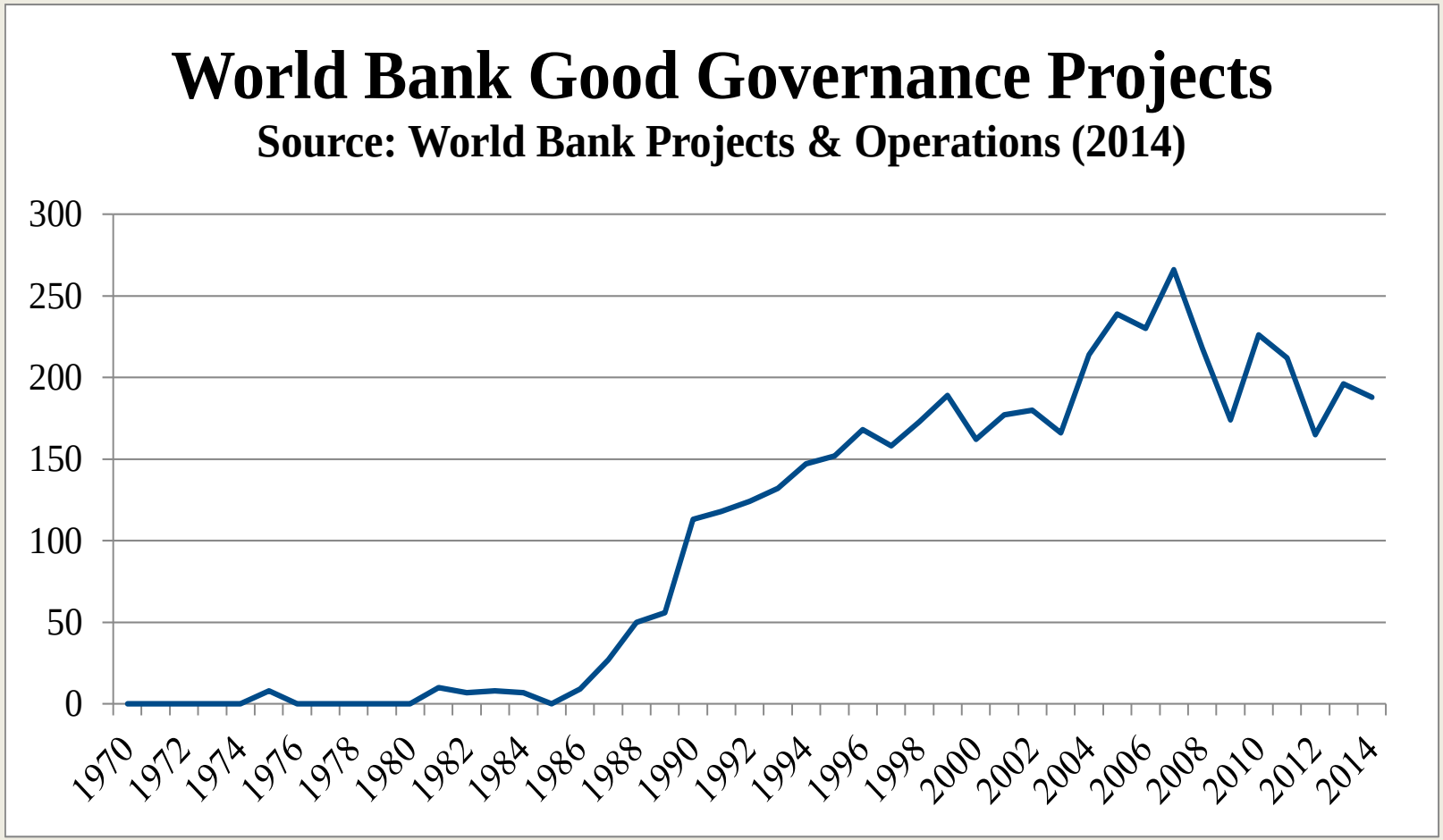
Improving Institutions: The Good Governance Agenda

"good governance is perhaps the single most important factor in eradicating poverty and promoting development"

- UN Secretary General Kofi Annan (1998)

"[it] will be difficult to reduce extreme poverty – let alone end it – without addressing the importance of good governance".

- World Bank president Jim Yong Kim (2014)


World Bank Good Governance Projects
Source: World Bank Projects & Operations (2014)
300
250
200
150
100
50
0
1970
1972
1974
1976
1978
1980
1982
1984
1986
1988
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
2010
2012
2014

And what are the results?

- The international aid and development community cannot show one single country/case where a donor led good governance or anti-corruption program have resulted in a sustained improvement

- ”By and large, the evaluations piling up after the first fifteen years of anti-corruption work showed great expectations and humble results” - Alina Mungiu-Pippidi (2015)

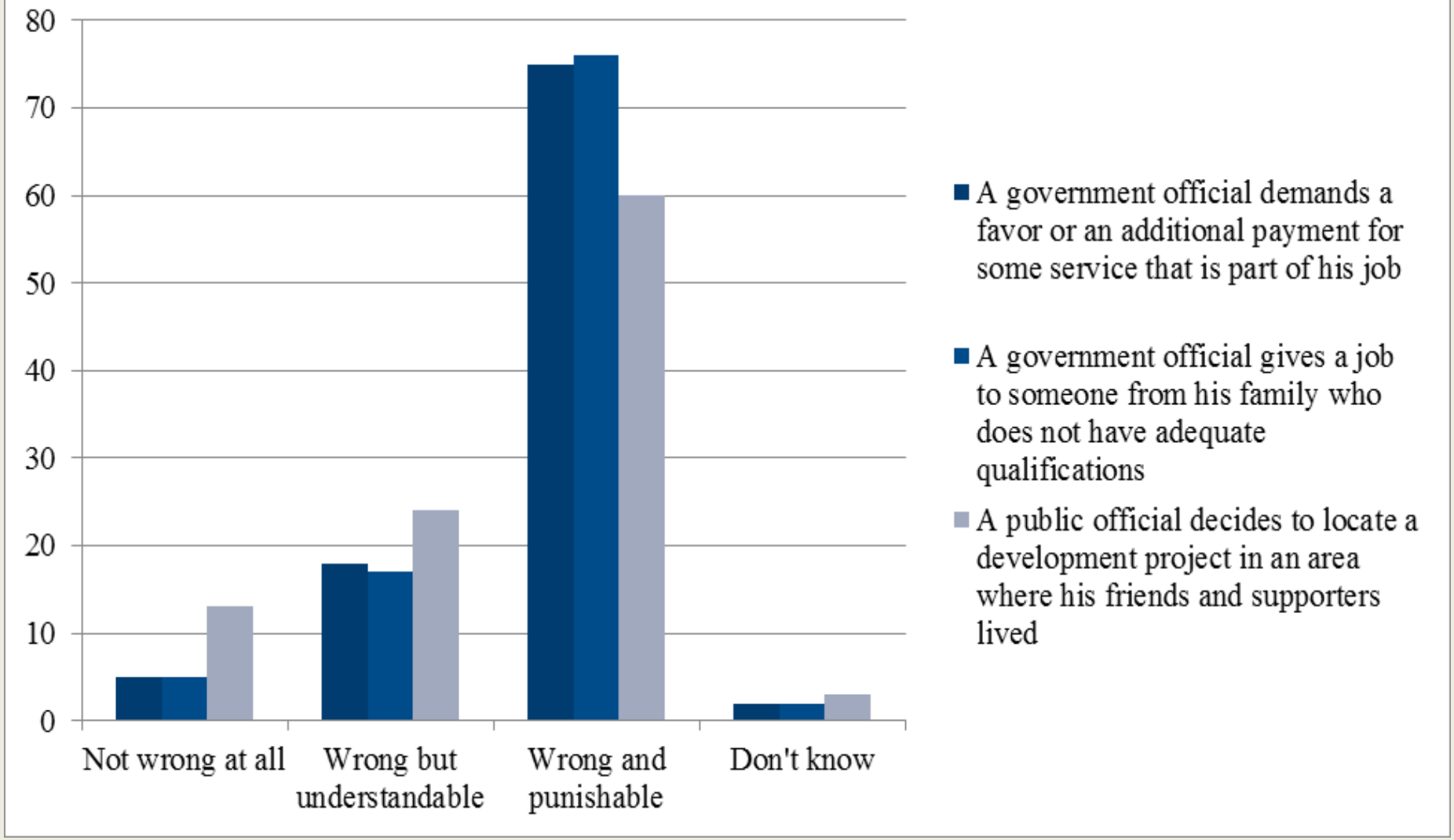
- There are countries that have improved (Georgia, South Korea, Taiwan, Indonesia….) but none of these have been initiated by donor organizations

First Problem: The Conceptual Failure

- If you do not know what it is, you do not know what you should be going after
- Without a working definition, operationalizations and measurement will not be possible
- Without measures, we cannot compare
- Without comparisons, we cannot explain why there is low/high QoG
- Without explanations, we will not be able to find remedies

What is corruption and what would be the opposite of corruption?

- Corruption = Abuse of public power for private gain
- An empty and thereby useless definition because what should count as ”abuse” is not defined
- Invites relativism making measurement impossible
- The norm that is transgressed when corruption occurs is not defined
- Is relativism justified?


80
70
60
50
40
30
20
10
0
Not wrong at all
Wrong but understandable
Wrong and punishable
Don't know
A government official demands a favor or an additional payment for some service that is part of his job
A government official gives a job to someone from his family who does not have adequate qualifications
A public official decides to locate a development project in an area where his friends and supporters lived

Definitions that includes what you want to explain

- Acemoglu & Robinson: ”inclusive institutions” defined as system that “allow and encourage participation by the great mass of people in economic activities that make best use of their talents and skill and enable them to make the choices they wish” + rule of law etc.
- Well, big news: The good society produces the good society
- QoG as efficiency/effectiveness
- But, we want to explain efficiency/ effectiveness which is impossible if it is included in the definition
- QoG as including democracy? But what if democracy does not produce QoG.

A definition of quality of government

- We should strive for a defintion of QoG that is:
  - Universal
  - Procedural
  - Normative
  - Uni-dimensional

- “When implementing laws and policies, government officials shall not take anything about the citizen or case into consideration that is not beforehand stipulated in the policy or law”

- Impartiality as the basic norm for QoG

Formal vs informal institutions

- QoG cannot be equal to a set of formal institutional configurations because:
  - Countries with high QoG have quite different formal institutional configurations
  - The same is the case of ”good democracies”
  - Just exporting ”Danish” institutions will thus not help

- **Conclusion: It is not the formal institutional configurations but the basic ethical norm under which they operate that matters**
- **This norm should be impartiality!**

The Swedish Constitution

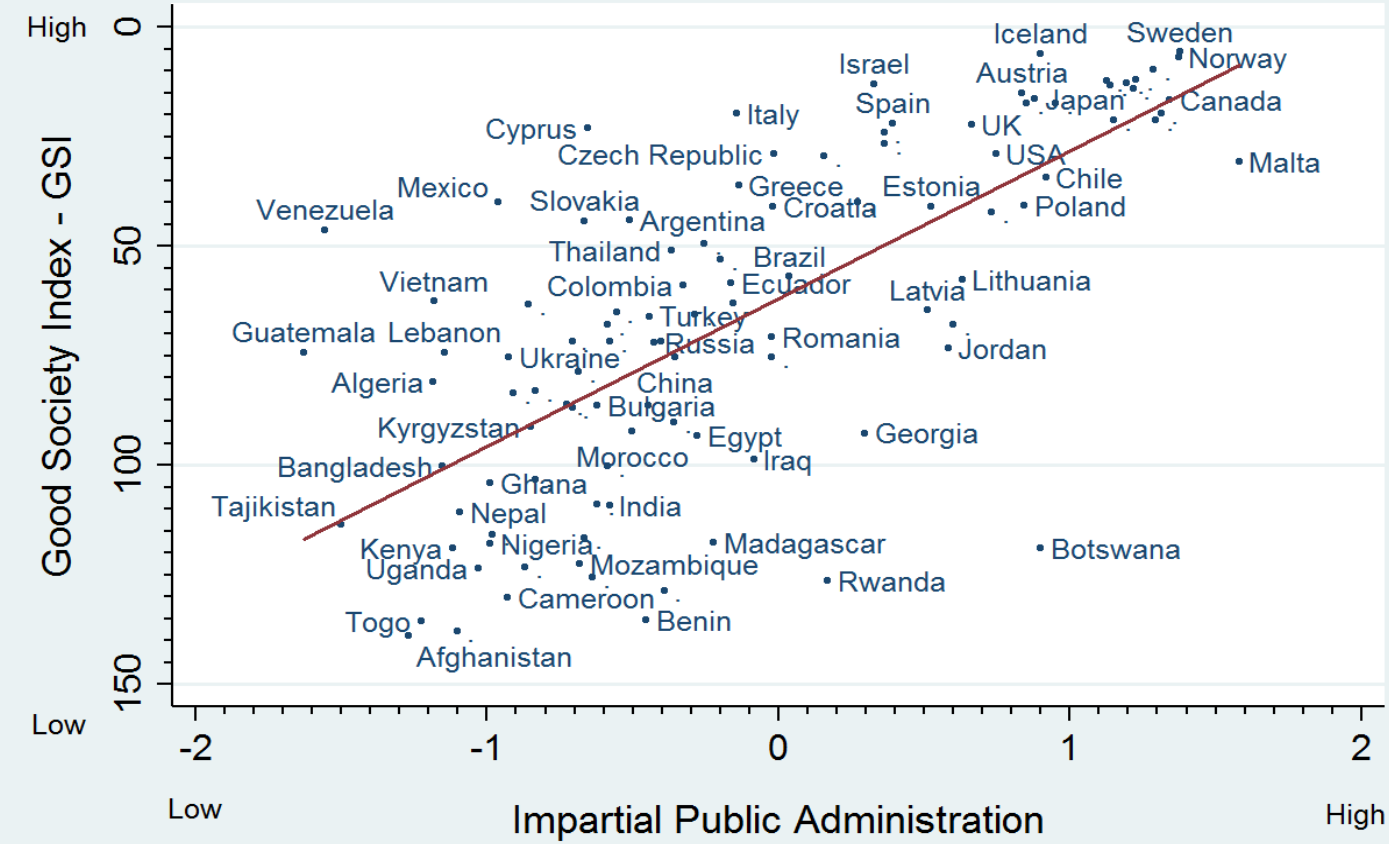
- Courts of law, administrative authorities and others performing public administration functions shall pay regard in their work to the equality of all before the law and shall observe objectivity and impartiality.

- Chapter 1, par. 9.

What is impartiality?

- Parallel to “political equality” as the basic norm for democracy as suggested by Robert Dahl
- Rules out corruption but also nepotism, clientelism, neo-patrimonialism, various forms of discrimination, kick-backs, etc etc.
- Includes, but is broader than “the rule of law”
- Works only for the exercise (output) side of the political system, not for the access (input) side.
- Quality of Government is one thing, Quality of Democracy another
- Does it work, can it be operationalized and measured?

QoG as impartial public administration and GSI



R-squared: 0.51

Number of observations: 105

Sources: Holmberg GSI;QoG Expert Survey (2015)

The Second Problem: The Theoretical Failures

The Principal Agent Theory:

- Agents seen as rational self-interested utility maximizers
- Honest Principal need to employ agents that must be given discretionary power. The agents will use their power for their own instead of acting in the principals (public good) interest
- Problem can be fixed by having the Principal carrying out incremental change of incentive structure for the opportunistic agents
- When fear of being caught exceeds greed, things will go well
- But then who should be the honest (common good oriented) principal?
- A theory built on “ghost” is an intellectually unhealthy theory

Third Problem: Structuralism

- History of type of colonialism
- Lutheranism
- Ethnic homogeneity
- Smallness
- And is is also good to be an island…
- Solution: Institutional devices

An alternative: The Collective Action Approach

- Actors strategies are based on reciprocity
- “What agents do, depends on what they think most other agents will do”
- Corruption should be seen as a self-reinforcing equilibrium
- Perceptions about expectations of others must change
- This requires a “big bang” type of change

Our main findings: five institutional devices that produces QoG

A functional and broad system of taxation

Universal education

Meritocratic

Gender equality

A professional and communicative system for national auditing

Caveats

- ”Reasonable empirical indicators”, rather than “hard evidence”
- New data may alter our conclusions
- There may be ”institutional equivalents”
- Context still matters

How is Swedish Aid Policy in this regard?

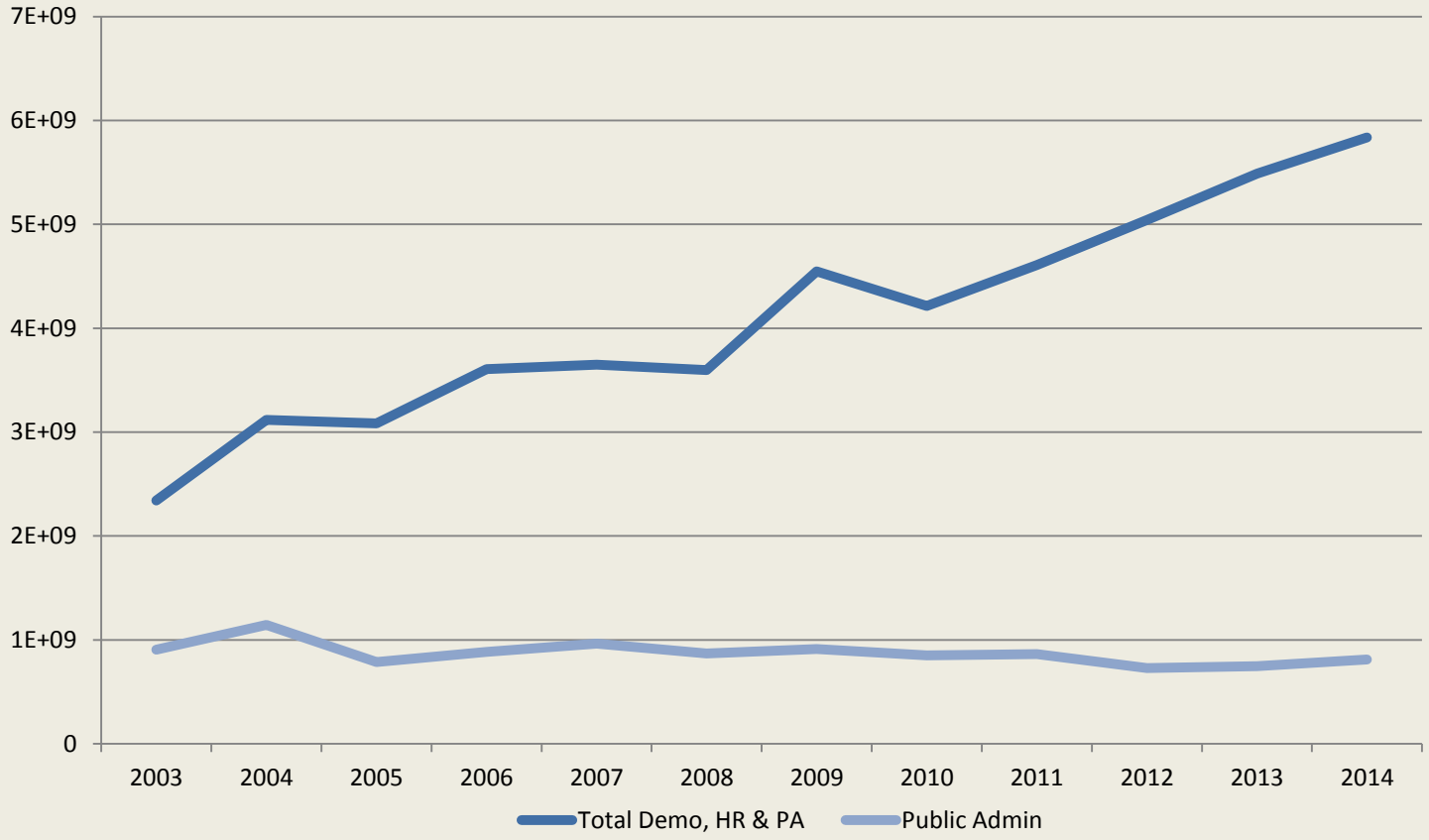
- Increased attention to issues of corruption
  - Still primarily an issue of aid effectiveness
  - Direct approaches

- "Democratic governance"
  - Remedy against corruption
  - Promoter of Human well-being
  - Civil society support (principal-agent approach)

- Gender equality
  - Tool for institutional change

- Long tradition of public sector support and capacity building

Sida's support to Public administration as proportion of the total Democracy, Human Rights & Public Administration portfolio



What type of change are we arguing for?

- All five institutional devices are to be understood as credible ”signals about a commitment to impartiality” from state to citizens

- Thus, they represent a move to a ”**new social contract”** where the state is no longer predominantly seen as a organization for preserving the particularistic interests of an economic or political elite

- A move from particularism to universalism (Mungui-Pippidi), or from a ”closed” to and ”open access order” (North, Wallis and Weingast) or from partiality to impartiality (Rothstein & Teorell)

- **A ”Big Bang” change**

This is ”The Indirect Approach”

- Daniel Kaufmann: “*We can no longer fight corruption by simply fighting corruption alone. Corruption is a symptom of a larger disease -- the failure of institutions and governance, resulting in poor management of revenues and resources and an absence of delivery of public goods and services”*.

- Basil Liddell-Hart: “*In strategy the longest way round is often the shortest way there; a direct approach to the object exhausts the attacker and hardens the resistance by compression, whereas an indirect approach loosens the defender's hold by upsetting his balance.* “

Conclusions and policy recommendations

- If the goal is to improve human well-being, more focus should be put on improving the quality of institutions that implement public policies
- Realize that democracy is not a safe cure against low QoG
- Acknowledge the difference between ‘quality of democracy’ and ‘quality of government’
- Understand the basic nature of the problem as a problem of collective action
- Complementing direct approaches with indirect approaches
- Revise the lagging support to public administration and state capacity building