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## **UNIT 7      CONCEPT OF GOVERNANCE: AN INTRODUCTION**

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### **7.0    LEARNING OUTCOME**

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After going through this Unit, you should be able to:

- Explain the concept of governance
- Examine its contextual uses and forms
- Highlight the models of governance; and
- Make an appraisal of the concept of governance

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### **7.1    INTRODUCTION**

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Governance has become a prominent area of discussion in present times. Governance now not only occupies centre stage in the development discourse but is also considered as the crucial element to be incorporated in the development strategy. Governance as a theoretical construct, separate from the theory of State, is not only in an inchoate stage, but its formulation also differs among scholars depending upon ideological convictions.

Public administration as a major constituent of State has always been an instrument to accomplish welfare goals and objectives. Over the past two decades, the impact of

globalisation, rise of market forces, increase in expectations of citizens, have widened the process of governing. Instead of government being the sole agency to discharge the tasks of governance, need for participative and consultative modes of governing has become strong. This along with gradual blurring of distinction between public and private sectors, has given rise to the concept of governance and over time gained a wider connotation. We shall attempt to examine the concept of governance, its contextual uses, forms and models in this Unit.

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## **7.2 CONCEPT OF GOVERNANCE**

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The concept of governance has been in use at least since the fourteenth century. It was used in France during that period that implied 'seat of government'. It started with a range of meanings, from the act or manner of governing its office or power, which made it synonymous with government, to being virtuous or wise in one's general behaviour.

Governance, in simple terms, means "the process of decision-making and the process by which decisions are implemented (or not implemented)". The Concise Oxford Dictionary defines it as an "act or manner of governing" and "the office or function of governing". Governance has also become a term used to describe a particular set of changes. It signifies a set of elusive but potentially deeply significant shifts in the way in which government seeks to govern (Pierre and Peters, 2000).

Governance refers to a process of exercise of authority to govern people or regulate public affairs. In the simplest terms, governance relates to the effective management of the affairs of a country at all levels, guaranteeing its territorial integrity, and securing the safety and overall welfare of people.

It was Harland Cleveland (1972) who first used the word 'governance' as an alternative to public administration. He was of the opinion that what people want is 'less government and more governance'. He identified governance with a cluster of concepts. According to him, "the organisations that get things done will no longer be hierarchical pyramids with most of the real control at the top. They will be systems – interlaced webs of tension in which control is loose, power diffused and centers of decision plural. "Decision-making" will become an increasingly intricate process of multilateral brokerage both inside and outside the organisation, which thinks it has the responsibility for making, or at least announcing the decision. Because organisations will be horizontal, the way they are governed is likely to be more collegial, consensual and consultative. The bigger the problems to be tackled, the more real power is diffused and the larger the number of persons who can exercise it – if they work at all".

In conceptualisation, divergent views either represent governance as a narrowly defined phenomenon in the form of activities of only the executive branch of the State i.e. the government or as one where the State comprising the legislature, executive and the judiciary are the parts that constitute the whole without the positive, synergistic relation with the private sector and civil society. Governance introduces the private sector, the civil society including the local government system as participants in the process of governing through changes in their subsidiary roles and direct involvement in areas hitherto kept exclusively in the public domain.

Governance 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. According to Rhodes (1997), 'governance 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'. Governance denotes the development of ways of coordinating economic activity that transcend the limitations of both hierarchy and markets. It highlights the role of the State in 'steering' action within complex social systems (Kooiman, 2000).

Since conceptualisation is the basis of theoretical formulation and influences policy making in a significant way, it is important to define governance in its broader sense and to identify the institutions and the loci of power that exercise legitimate authority. Thus, governance can be interpreted as the undertaking of activities, management of resources, organisation of citizens, communities, local government bodies, business organisations and the branches of the State (legislature, executive and judiciary) through social, political, administrative and economic arrangements that meet the daily needs of the people and ensures sustainable development. According to this view, "institutionalisation of rule of law including coercive measures required to enforce laws and rules for protection of lives and property and development activities of the government for promotion of common welfare are the foundation as well as the super structure of governance while spontaneous activities of people acting out of their free will reinforce both when they are allowed to flourish" (Hye, 2001). Through the conventional constituents of State namely, parliament, judiciary and executive, government may encompass this diverse area of governance at some particular point of time, changes often take place subsequently, that make a combination of these constituents of the State and other actors, collaborative partners in governance with clear cut and sometimes overlapping jurisdictions.

Earlier the term governance was used which broadly implied government, which is not appropriate in present times. Governance means more than maintaining law and order. In other words, we can say that it is a participative system in which those who are called upon to govern on behalf of the people are motivated with a will to giving their best, serving and doing good to the people, solving their problems and making their lives more livable, satisfying and enjoyable.

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### **7.3 INTERPRETATIONS OF INTERNATIONAL ORGANISATIONS**

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In the late eighties and early nineties, the concept of governance has received added importance in the hands of multilateral and bilateral aid-giving agencies that used it as a pre-condition for providing aid. In this context, in 1989, the World Bank gave the lead followed by OECD, UNDP, and the UNESCO.

#### **World Bank**

It was the first international organisation to use the term and defined it in following words:

“... the manner in which power is exercised in the management of a country’s economic and social resources for government. Governance, in general, has three distinct aspects (a) the form of a political regime (parliamentary or presidential, military or civilian, and authoritarian or democratic); (b) the processes by which authority is exercised in the management of a country’s economic and social resources; and (c) the capacity of governments to design, formulate, and implement policies, and, in general, to discharge governmental functions. The terms usually describe conditions in a country as a whole”.

## **OECD**

The concept of governance denotes “the use of political authority and exercise of control in a society in relation to the management of its resources for social and economic development”. The Organisation for Economic Cooperation and Development (OECD) lays down the key components of governance as follows:

- a) Legitimacy of government
- b) Accountability of political and official elements of government
- c) Competence of governments to make policy and deliver services; and
- d) Respect for human rights and the rule of law.

## **UNDP**

The United Nations Development Programme (1997) has viewed governance as “the exercise of economic, political and administrative authority to manage a nation’s affairs at all levels. It is the complex mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights and obligations, and mediate their differences”. UNDP has laid down following characteristics of good governance viz., participation, rule of law, transparency, responsiveness, consensus orientation, equity, effectiveness and efficiency, accountability and strategic vision.

## **UNESCO**

UNESCO (1997) defines governance as ... “a process whereby citizens’ needs and interests are articulated for the positive social and economic development of the entire society and in the light of a perceived common good. Governance means more than government: it refers to a political process that encompasses the whole society and contributes to the making of citizens, active contributors to the social contract that binds them together. Their sense of political efficacy is one of the indicators of democratic governance”.

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## **7.4 GOVERNANCE: CONTEXTUAL USES**

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In the preceding sections we have acquainted you with the concept of governance and its several interpretations. The concept of Governance is used in several contexts. Rhodes (*op cit*) has highlighted the following:

## **Governance as the Minimal State**

In this sense, Governance redefines the extent and form of public intervention and the use of markets and quasi-markets to deliver 'public' services. The extent of any change is a matter of dispute. Indisputably, as regards U.K, the size of government was reduced by privatisation and cuts in the size of the civil service. However, public expenditure remained roughly constant as a proportion of Gross Domestic Product (GDP); public employment fell only slightly in local government and the National Health Service; and regulation replaced ownership as the preferred form of public intervention with the government creating ten major regulatory bodies.

## **Governance as Corporate Governance**

In this use, Governance refers to "the system by which organisations are directed and controlled" (Cadbury Report, 1992). Thus the governance role is not concerned with running the business of the company, per se, but with giving overall directions to the enterprise, with overseeing and controlling the executive actions of management and with satisfying legitimate expectations for accountability and regulation by the interests beyond the corporate boundaries... All companies need governing as well as managing (Tricker, 1984).

In this use, governance has a narrow meaning. The concerns of corporate governance are echoed when discussing accountability in the 'new public management' and 'good governance'. In this use, private sector management practice has an important influence on the public sector.

## **Governance as New Public Management (NPM)**

In its third use, Governance is related to the new public management. New public management, initially, had two meanings. In its first meaning it means managerialism, i.e., introducing private sector management methods to the public sector. In its second sense, it refers to new institutional economics, i.e., introducing incentive structures (such as market competition) into public service provision. Managerialism was the dominant strand in Britain before 1988 and after that new institutional economics became more prominent.

New Public Management is relevant to the discussion of governance because steering is central to the analysis of public management and steering is a synonym for governance. Osborne and Gaebler, (1992) for example, distinguish between 'policy decisions (steering) and service delivery (rowing)'. They argue that bureaucracy is a bankrupt tool for rowing. Hence, they propose entrepreneurial government based on certain principles, viz., competition between service providers, empowering citizens, focusing on outcomes, decentralisation of authority, catalysing all sectors, putting energies into earning money, missions and goals, etc.

NPM and entrepreneurial government share a concern with competition, markets, customers and outcomes. Governance calls for more steering, providing impetus to other forces, rather than rowing. The emphasis has thus been placed on 'enabling' rather than 'providing'.

## **Governance as 'Good Governance'**

This use of governance became popular after the World Bank (1992) popularised the phrase ‘good governance’. For the World Bank, governance is ‘the exercise of political power to manage a nation’s affairs’. The bank came to realise that good governance is central to creating and sustaining an environment, which fosters strong and equitable development, and it is an essential complement to sound economic policies.

Leftwich (1993) identifies three strands of good governance: systemic, political and administrative. The systemic use of governance is broader than government covering the ‘distribution of both internal and external political and economic power’. The political use of governance refers to ‘a state enjoying both legitimacy and authority, derived from a democratic mandate’. The administrative use refers to ‘an efficient, open, accountable and audited public service, which has the bureaucratic competence to help, design and implement appropriate policies and manage the public sector’.

The good governance agenda advocates freedom of information, a strong legal system and efficient administration to help the underprivileged sections’ claim to equality; but these have been most successful when backed up by strong political mobilisation through social movements or political parties with a clear cut mission. Good governance means bringing about goodness in all the three sectors: government, civil society and corporate world including transnational corporations. Good governance is a tryst with trust, a commitment of the people for the people, a social contract for the greatest good, the collective conscience of the community (Mishra, 2003).

### **Governance as a Socio-cybernetic System**

Governance, according to Kooiman (1993), is the pattern or structure that emerges in a socio-political system as a ‘common’ result or outcome of the interacting intervention efforts of all involved actors. This pattern cannot be reduced to one actor or group of actors in particular.

In other words, policy outcomes are not the product of actions by central government. The government may pass a law but subsequently it interacts with local government, health authorities, the voluntary sector, the private sector and, in turn, they interact with one another. Kooiman distinguishes between the process of governing (or goal-directed interventions) and governance, which is the result (or the total effects) of social-political-administrative interventions and interactions. There is order in the policy area, but it is not imposed from high but emerges from the negotiations of the several affected parties. Thus, all the actors in a particular policy area need one another. Each can contribute relevant knowledge or other resources. No one has all the relevant knowledge or resources to make the policy work (Rhodes, *op cit*).

The socio-cybernetic approach views governance as the result of interactive social-political forms of governing. The approach highlights the limits to governing by a central actor and claims there is no longer a single sovereign authority. Rather, there is a multiplicity of actors specific to each policy area; interdependence among these social-political-administrative actors; shared goals; blurred boundaries between public, private and voluntary sectors; and multiplying and new forms of action, intervention and control (*Ibid*).

### **Governance as Self-organising Networks**

This use sees governance as a broader term than government with services provided by a combination of government, the private sector and the voluntary agencies. For example, the British Government creates agencies, bypasses local government, uses special-purpose bodies to deliver services, and encourages public-private partnerships; so, 'networks' become increasingly prominent among British governing structures.

Networks are a widespread form of social co-ordination, and managing inter-organisational links is just as important for private sector management. According to Powell (1991), networks are 'a distinctive form of coordinating economic activity'. Similarly, Larson (1992) explores 'network structures in entrepreneurial settings; concluding that 'the network form of governance' highlights 'reputation, trust, reciprocity and mutual interdependence'.

In other words, a network is autonomous and self-governing. Autonomous systems have a much larger degree of freedom of self-governance. Deregulation, government withdrawal and steering at a distance ... are all notions of less direct government regulation and control, which lead to more autonomy and self-governance for social institutions (Kickert, 1993).

For instance, the Bhagidari (Partnership) Project initiated in 2000 by the Delhi government is an example of networking amongst several stakeholders. It is a partnership between government and its various agencies including Municipal Corporation, Police, Water Supply Board, Electricity Board, and the Resident Welfare Associations. Their representatives, at periodic intervals meet and discuss problems being faced by citizens and attempt to determine ways of resolving them.

From the above discussion, it becomes clear that governance has too many meanings to be useful. As such, it becomes difficult to provide a single definition of governance. According to Rhodes, it incorporates most notably the minimal state, a socio-cybernetic system and self-organising networks. On the basis of above uses, he summarises the characteristics of governance as:

- a) Interdependence between organisations. Governance is broader than government, covering non-state actors; changing the boundaries of the State meant the boundaries between public, private and voluntary sectors became shifting and opaque.
- b) Continuing interactions between network members, caused by the need to exchange resources and negotiate shared purposes.
- c) Game-like interactions, rooted in trust and regulated by rules of the game negotiated and agreed by network participants.
- d) A significant degree of autonomy from the State. Networks are not accountable to the State; they are self-organising. Although the State does not occupy a sovereign position, it can indirectly and imperfectly steer networks.

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## **7.5 FORMS OF GOVERNANCE**

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In the preceding sections, we have examined the different interpretations and conceptual uses of governance. Similarly, there are various forms of governance more important among which are political, economic and social.

### **Political**

Due to the global political and economic shifts, the nation states' capacity to govern has been limited. There is a general feeling that there is a 'hollowing out' of the State. This has resulted in shifting of the power outwards to international financial markets, to global companies to be able to move capital and other resources from one site of investment to another, and to supra-national entities such as the World Bank or European Union. Power has also percolated downwards to the sub-national level of regions and cities. As a result of these changes, a series of reforms have taken place resulting in reduction in the size of the machinery of government and its fragmentation.

New strategies based on informal influence, enabling and regulation have grown in importance. However, this does not necessarily mean a decline in the role of the State. Forms of control through hierarchical, institutional channels continue alongside new forms of governance. Besides, the changing role of the State can be understood as an adaptation to its environment rather than a diminution of its power. Pierre and Peters (2000), for example, adopt an explicitly 'State-centre' approach which emphasises the reconfiguration of State power. They view governance as a process in which the State continues to play a leading role.

### **Economic**

A central theme in the governance literature is the idea that markets, hierarchies and networks form alternative strategies of coordination. Different modes of governance, including those based on markets, hierarchies and network, are likely to coexist, with different institutional combinations in specific nations, but with networks becoming increasingly significant (Newman, 2001).

The neo-liberal political/economic regime of the 1980s and 1990s partly dismantled the conception of the State as a direct service provider. The introduction of market mechanisms has led to a more fragmented and dispersed pattern of service delivery and regulation that required new forms of coordination. As a result of privatisation, contracting out, quasi-markets, the removal of functions from local authorities, the separation between the policy and delivery functions in the civil service with the setting up of executive agencies, governments had to develop new forms of control. These types of control included framework documents, contracts, targets, performance indicators, service standards, contracts and customer charters (*ibid*). While governments could still set the parameters of action (through funding regimes) and had the monopoly on certain forms of power (such as legislation), they increased their dependence on a range of bodies across the private, public and voluntary sectors.

Even at the local level similar changes took place. Network based patterns of interaction had become increasingly important, leading to the conclusion that local government had been transformed into a system of local governance involving a plurality of organisations across the public, private and voluntary sectors.



Economic governance requires removal of market distortions, setting appropriate service standards, ensuring fair competition amongst the players and a level playing field, protecting the interests of all concerned key stakeholders.

## **Social**

Another form of analysis of governance is responding to complexity, diversity and dynamic changes in society. Kooiman and Van Vliet (1993), link governance to the need for an interactive form of governing. The purpose of governance in our societies can be described as coping with the problems but also the opportunities of complex, diverse and fragmented societies. Complexity, dynamics and diversity has led to a shrinking external autonomy of the nation state combined with the shrinking internal dominance vis-à-vis social subsystems ... Governing in modern society is predominantly a process of coordination and influencing social, political and administrative interactions, meaning that new forms of interactive government are necessary. Governing in an interactive perspective is directed at the balancing of social interests and creating the possibilities and limits of social actors and systems to organise themselves.

Kooiman and his colleagues (1993), argue that in a society that is increasingly complex, dynamic and diverse, no government is capable of determining social development. Kooiman further argues that there has been an attempt by governments – in the UK, the USA and across much of Western Europe – to shift the focus away from the State itself to various forms of co-production with other agencies and with citizens themselves. There seems to be a shift away from more traditional patterns in which governing was basically seen as a ‘one way traffic’ from those governing to those governed, towards a ‘two way traffic’ model in which aspects, qualities, problems and opportunities of both the governing system and the system to be governed are taken into consideration.

In the present scenario, the government is not acting alone. Rather it is increasingly engaging in co-regulation, co-steering, co-production, cooperative management, public/private partnerships and other forms of governing that cross the boundaries between government and society and between public and private sectors (*ibid*). The tasks of steering, managing, controlling or guiding are carried out through a wide a range of agencies in the public, private and voluntary sectors, acting in conjunction or combination with each other. It is no longer the domain of the government. Governance in this context stands for developing, strengthening and sustaining collaborative and participative processes, bringing about networking and coordination and building human capacities.

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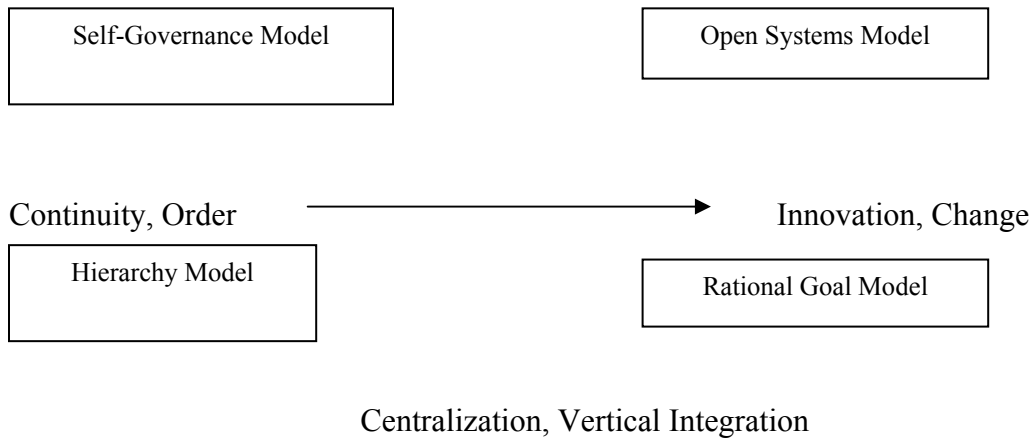
## **7.6 MODELS OF GOVERNANCE**

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Like the various definitions and various uses of governance, there are various models of governance, which can be adopted by different countries. In this section, the characteristic features of the various models are discussed. Newman (2001) postulates the following important models.

Figure 1 Models of Governance

Differentiation, Decentralization



*Source: Newman, Modernizing Governance, New Labour, Policy and Society, Sage, London, 2001, p. 34*

In the above diagram, the models of governance represent two dimensions of difference viz. the vertical axis and the horizontal axis. The vertical axis represents the degree to which power is centralised or decentralised. High centralisation means that there will be structural integration of governance arrangements whereas high decentralisation means strong elements of differentiation with the governance system. The horizontal axis, on the other hand, represents the orientation towards change. Governance arrangements may be oriented towards the creation of continuity, order, stability and sustainability towards bringing about innovation in order to respond to new economic pressures or shifting public expectations. When these two axes – vertical and horizontal, intersect, the following four models of governance are produced.

### **The Hierarchical Model**

This model is oriented towards predictability, control and accountability. It is characterised by bureaucratic power and vertical patterns of relationships flowing up and down hierarchies. This model corresponds to the much-discredited form of governance in which the State exerts direct control over policy development and implementation through bureaucratic hierarchies. Change is very slow in this model, which is brought about by bringing about modifications in the legislation, rewriting the rules or guidelines, or producing new standards and procedures, all cascading down the vertical hierarchies of the governance system. A positive feature of this model is accountability, which tends to be high. The model is process-oriented and focused towards continuity rather than change. The other key features of this model are minimum risk, security, order and standardisation and bureaucratic in nature. Policy formulation and implementation are functionally differentiated and formalised.

### **The Rational Goal Model**

The model focuses on maximum output in a shorter period. Power, in this model, is dispersed across a wide range of agencies. Change is a basic feature of this model, which is brought about by altering incentives, with rewards (or at least the absence of penalties) attached to the delivery of targets and policy goals. Despite the devolution of power and responsibility, one sees a centralised approach in this model. The goals and targets are cascaded from the government and the performance is monitored, inspected and audited very strictly. The basic characteristics of this model are a strong means – ends orientation and a pragmatic and instrumental approach. It also incorporates many of the characteristics of new public systems management. It emphasises on efficiency,

economic rationalism and managerial authority. Accountability for outputs is high, but accountability for detailed expenditure and the probity of decision-making would be lower than in the hierarchy model.

### **The Open Systems Model**

In this model, emphasis is on network forms of interaction and iterative processes of adaptation. In terms of governance theory, this approach corresponds most closely to the 'network' model of governance described by Rhodes, Stoker, Kooiman and others. Differentiation is promoted through the decentralisation of power, enabling experimentation and innovation. This model encompasses multiple inputs and 'reflexive' processes of development in which decisions can be adjusted in the course of new information. The system both influences and is influenced by the environment. It is fluid, fast and highly responsive. The boundary between policy and implementation becomes more fluid, allowing feedback and learning during the policy cycle. Accountability in the model is low but the sustainability is high. Change is accomplished by autopoiesis: through self-organisation and self-steering rather than as a result of external intervention (Kickert, *op.cit*).

### **The Self-Governance Model**

In this model, focus is on building sustainability for fostering relationships of interdependence and reciprocity. It acknowledges the role of civil society in governance, highlighting the relationship between State and citizen rather than limiting notions of governance to the actions of the State. Governments in many countries, including the present labour government in the UK, may seek to work in 'partnership' with citizens, for example to draw them in as co-producers of health and welfare services, or as partners in the development of sustainable solutions to social problems. In order to extend their legitimacy, the government may invite the public to participate in decision-making as citizens or as the users of services. The approach encompasses models of democratic innovation, which include participative and direct democracy, and 'associational' democracy in which civil society takes on functions previously performed by the State (Hirst, 1994).

From the above analysis, it becomes clear that each of the model is based on distinctive values and assumptions, definitions of 'effectiveness', constructions of the problems to be solved, and institutionalised norms and expectations. These are often in conflict and are not readily compatible. All these four models are adopted by the governments in liberal democracies. For efficient governance, if one intends to stick to any of these models, one would not get desired results. Hence it becomes necessary that the governments must adopt a mixture of these models so that it can ensure efficient and result oriented governance.

Guy Peters (2001), on the basis of governance reforms in Great Britain, New Zealand, Australia and United States, offers four models of governance. These are market government, participative government, flexible government and deregulated government. Market government focuses on monopoly, pay for performance, market incentives etc. Participative government emphasises on consultation, negotiation, involvement, consultation, and flatter organisations. Flexible government gives importance to experimentation, managing temporary personnel etc. Deregulated government encourages greater managerial freedom, entrepreneurial government, creativity etc.

A study on governance strategies in four-countries – Australia, Netherlands, New Zealand and United Kingdom has indicated four variants. These are:

- a) Procedural, that correspond to older forms of public organisations bound by laws, rules and regulatory.
- b) Managerial or corporate governance, that conforms to managerial initiatives and performance.
- c) Market type, which involves an attempt to combine public service aspects with competition, private ownership and market incentives.
- d) ‘Network’ governance, involving cooperation with various agencies, certain organised interestgroups, private bodies, which needs a limited but interesting form of resource-sharing areas the borders. Networking emphasises upon multi-agency coordination, reciprocation and lateral communication. The binding characteristic of this is creation and sustenance of interdependence through ‘strategic partnership’ and ‘joined up’ governance (Considine, 2001).

Governance earlier has always been looked at in the formal sense of the exercise of power by three organs of government i.e. executive, legislature and judiciary. The informal actors’ presence has been minimal or non-existent. But in the present scenario, the informal sectors are making their presence significant and the pattern of governance that is emerging is a convergence of both the formal and informal organs – coexisting and exercising rights in clearly demarcated spheres.

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## **7.7 CONCEPT OF GOVERNANCE: AN APPRAISAL**

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It should be clear by now that the term ‘governance’, has, over the last few years, occupied a prominent place in the discipline of public administration. As we have discussed in this Unit, the form of governance is not homogeneous and it has several things, be it civil society, market forces, third-party government, network management and so on.

We have already acquainted you with the critique of governance in Course 011 in Unit 17 on Good Governance. To recapitulate, the validity of the governance concept has been questioned on the ground of its usefulness. We had discussed five major critiques of governance in the above - mentioned Unit.

As Frederickson (2001), points out two important implications arise from the critique of governance. One is that governance approach to public administration focuses on change and reform rather than functioning of institutions such as State. The second implication of the critique is that governance theorists look for an all pervasive pattern of organisational and administrative behaviour, a ‘general theory’ that provides an explanation for the past and a means to predict future.

Frederickson suggests a fundamental distinction between public administration as the internal day to day management of an organisation and governance as management of extended state. It includes management of non-governmental, institutional and other organisations in so far as their policies or actions affect the citizens in the same way as

state agencies. This leads to a three- fold theory of governance in public administration. First, is inter- jurisdictional governance. This refers to policy area specific, formalised or voluntary patterns of inter organisational or inter-jurisdictional cooperation. Second, is the idea of third party governance that extends the functions of the State by exporting them, by contract, to policy area specific non profit, for profit, or sub governmental third parties. Third, is the area of public non-governmental governance. This accounts for those activities of non- governmental organisations that bear on the interests of citizens in the same way as governmental agencies. ([www.rhu.ac.uk/mgt/news](http://www.rhu.ac.uk/mgt/news) and events/seminars)

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## **7.8 CONCLUSION**

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Governance basically focuses on the process of governing, involving interactions between various formal and informal institutions as well as influencing the policies and decisions that concern public lives. The success of governance depends on the reinvention of the government, re-invigoration of non-government sectors, with a social motive. There is a need to have political will, normative concerns and organisational flexibility. Besides, it is imperative to pay attention to the mechanisms and modalities followed by governments to determine public policies and equally important, to critically examine whether the policies are being efficiently and honestly implemented by the government agencies and organisations responsible for performing the assigned tasks. It also needs to be seen whether, and to what extent, the governments have established meaningful linkages with various elements of civil society, which can support the concern for good governance.

Governance needs to be transformed to make it the key instrument towards effective implementation of public policies. This requires a multi-pronged strategy to strengthen the capacities of all the actors involved in the governance process. Governance as sustainable human development needs to be given a wider connotation, so as to bring within its fold, not just good government, but also other formal and informal institutions, public-private interface, legal and regulatory reforms, decentralisation of economic functions; and empowerment of communities. The State, the private sector and the NGOs, especially the community-based organisations should cooperate and coordinate with each other to make good governance possible.

Governance now not only occupies centre stage in the development discourse but is also considered as the crucial element to be incorporated in a development strategy. It signifies a change in the meaning of government, referring to a new process of governing; or a changed condition or ordered rule; or the new method by which society is governed. It incorporates the minimal state, a socio-cybernetic system, self- organising networks, corporate governance and good governance. It basically focuses on the process of governing, involving interactions between various formal and informal institutions as well as influencing the policies and decisions that concern public lives.

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## **7.9 KEY CONCEPTS**

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**Autopoiesis**

It refers to the organisation's relationship with the environment which is said to be internally generated and change is also considered to be brought about internally.

### **Corporate Governance**

It is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs.

### **Hollowing out of the State**

The phrase summarises many of the changes, which have taken, and are taking, place in British Government. It refers to: (I) privatisation and limiting the scope and forms of public intervention; (ii) the giving away of functions by central and local government departments to alternative delivery systems (such as agencies); (iii) the devolving of functions by British Government to European Union Institutions; and (iv) Limiting the discretion of public servants through application of new public management principles, with its emphasis on managerial accountability, and clearer political control through a sharper distinction between politics and administration.

### **New Institutional Economics**

It is an approach to the study of economic phenomena that focuses on institutions other than the market- on norms, conventions, and patterns of social interaction, to examine as to which institutional arrangement fosters growth, development and efficiency and which hinder these. The new institutional economics differs from the 'old' institutional economics in that it builds up analyses of institutions from individual tastes and preferences and choice of action.

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## **7.10 REFERENCES AND FURTHER READING**

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## **Website**

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## **7.11 ACTIVITIES**

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1. Based on newspaper reports, write a brief note on measures being taken in India towards strengthening economic form of governance.
2. Visit an NGO or a community-based organisation and enquire about their governance strategies adopted at the micro level.