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Are One-Best-Way Models of Effective Government Suitable for Developing Countries?

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Are one-best-way models of effective government suitable for developing countries?

(Or) Do we need a theory of government before we measure government effectiveness?

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Abstract

Effective government matters, but what is it? Good governance indicators go some way to provide a definition, but how much do they say about what effectiveness is, why this is so, and how it matters to development? This is the current article's question. It argues that good governance work suggests a one-best-way model ostensibly of an idyllic, developed country government: Sweden or Denmark on a good day, perhaps. The model lacks consistency, however, seems inappropriate for use in the development dialog and is not easily convey-able, looking more like a set of well meaning but problematic proverbs. The good governance picture of effective government is not only of limited use in development but also constitutes a threat, promoting isomorphism, institutional dualism, and 'flailing states' and imposing an inappropriate model of government that "kicks away the ladder" today's effective governments climbed to reach their current states. The model's major weakness lies in the lack of an effective underlying theoretical framework. A theory of government is needed before we measure government effectiveness or propose specific models of what government should look like. Such theory should address basic questions that center on the fit of different governing systems to different contexts.

Introduction

Most agree that effective government matters. Most also have difficulty defining what effective government is, theoretically or practically. Good governance indicators go some way to provide a definition, typically reflecting what many would consider sensible and attractive characteristics of effective governments.[3] They suggest, for example, that governments should be fiscally disciplined but also decentralized to discern and respond to citizen need, comprise politically neutral managers, yet also make and manage business friendly policies. Some of the governance indicators focus on one of a long list of such characteristics while others marry thirty to forty in single measures. Countless articles use these measures to reflect government effectiveness and test how this matters to development, growth and poverty reduction. But do the measures really tell us much about what effective government is, why this is so, and how it matters to development?

I ask this multi-faceted question in the current article, not to criticize the indicators but rather to investigate what they imply an effective government is—and how valid this is for research and practical application in development. The investigation starts off suggesting that the indicators present a one-best-way model of government—a structural design for emulation across settings. One might expect better scoring countries to reflect this model: Sweden or Denmark on a good day, perhaps.[4] I then ask whether such model helps us think about effective government in development by posing three basic questions: Is the model consistent enough to actually suggest what an effective government is? Is the model correct and appropriate, with its elements reliably explaining outcomes of relevance to development? Is the model convey-able, such that its elements are replicated confidently and with reliable results?

Unfortunately I find the model of limited use. Firstly, governments scoring well on effective government measures share strong outcomes and a basic shell of formalized structure, but differ in most other senses, especially regarding details of what government

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[3] The good governance indicators come in many shapes and sizes and focus on areas beyond government effectiveness. My main point of reference is the government effectiveness dimension of the World Governance Indicators (which is one of six dimensions—the others being Voice and Accountability, Political Stability and Absence of Violence, Regulatory Quality, Rule of Law and Control of Corruption).

[4] The idea here derives jointly from Pritchett and Woolcock (2004) and Rodrik (2006). The former identify Denmark as a model while the latter speaks of Sweden or the United States in this way.

really looks like and how it manages. The Swedish model differs from the German model, British and American, for example. The governments emerging as effective are all examples of what success is, but one does not get a consistent picture of why they are successful because of the variation in their structures and designs. Modeling government effectiveness in this manner is like telling developing countries that the way to develop is to become developed.[5] Secondly, the effective government models of today are arguably inappropriate comparators for use in development. The challenges developing countries face are different to those faced by countries in which the effective governments are currently located. But the effective governments did face similar challenges in the past, when they also looked very different and would probably have scored poorly on the current indicators! The effectiveness of these past governments is reflected in the progress of their countries over the past century, and the story of how they muddled through from the past to the present may be of most value for developing countries today. Third, elements of a current one-best-way model arguably inform reform initiatives in the developing world, which are often unsuccessful. The elements do not convey well to different contexts, characterized by different challenges and environments, and end up resembling proverbs that fit poorly in the wrong context and often contradicting one another.

I conclude by suggesting that our current picture of effective government may be useful in producing indicators but is of limited use in development work and also constitutes a threat to the community. It will yield faulty academic analysis on effectiveness (through mis-specified variables of effective government), biased donor decisions (that penalize developing countries for not adopting practices that 'work' in developed countries, for example) and dangerous reform designs (where developing countries adopt practices embodied in the indicators for external legitimacy even though these might compromise their internal capacities). In recent parlance, the indicators might end up promoting dangerous isomorphism, institutional dualism,[6] and 'flailing states'[7]

[5] Again, Dani Rodrik's comment on what is obviously "hardly useful policy advice!" (Rodrik 2006, 13).
[6] Brinkerhoff and Goldsmith (2005).
[7] My colleague Lant Pritchett argues that flailing states emerge when governments introduce 'better practice' systems on top of pre-existing systems and end up with a Frankenstein model, where (metaphorically) the head does not talk to the limbs and the entire structure is dysfunctional.

and could well impose an inappropriate model of government that "kicks away the ladder" today's effective governments climbed to reach their current state.[8]

I identify the lack of an effective theoretical framework as the major problem with these indicators. It seems to me that the emphasis on developing a static, common model of government effectiveness undermined the importance of theorizing about effective government—of clarifying what effectiveness might mean and then devising propositions to explain it and its variation (explaining, inter alia, why different governments achieve effectiveness differently, how paths of development impact on effectiveness and why different structural devices facilitate effectiveness differently in different settings). I believe that pressure to develop best practice models, measure performance and create data drowned out clear and consistent thinking about what was being done: much like Simon (1947) argued that administrative principles of his day lacked theoretical content, providing "a great help in persuasion, political debate and all forms of rhetoric" but being less helpful as a theoretical foundation that explains why something works, when it does not work, and how it got to work. I argue that we need a theory of government that addresses such basic questions before we measure government effectiveness. I conclude with examples of recent work that could provide a foundation for such.

What good governance indicators say about effective government

The good governance community has grown in the past decade. Work focuses on producing indicators. There are many types (Arndt and Oman 2006; Hood et al. 2007; Knack et al 2003; van de Walle 2006). A specific variety spotlights structural and management characteristics of governments and associated outcomes considered important for development. Common examples are budgeting system formality, bureaucratic quality, degree of decentralization, level of service provision in areas like health, education and infrastructure, and fiscal stability. The World Governance

[8] The reference here is to Chang (2003, 29) who questions whether open trade is the best path for developing countries to follow as they build their economies, given that currently developed countries followed a different path. I cite this argument not because of the application to trade, but rather because Chang raises an important principle regarding the importance of learning from development paths.

Indicators (WGI) are the community's most prominent product. These combine various stand-alone measures into aggregate indicators of six governance concepts, including 'government effectiveness'. The indicators are widely used in academic literature as measures of key concepts like effective government and influence lending by donor organizations and public sector reform designs. They have been instrumental in mainstreaming discussion and treatment of corruption, regulatory ailments and governmental weaknesses in development.

The indicators arguably underlie strong isomorphic influences on thinking about what effective government is.[9] The argument is that academic work, lending engagements and reform proposals gain legitimacy in the development community when they identify with the "myth" that formal structures reflected in the indicators provide a rational means to attain desirable ends (Meyer and Rowan 1991). The reinforcing character of most indicators strengthens the isomorphism; especially in developing countries where government seems ineffective and dependence on external parties like donors proposing such models is high.[10] Conceding such influence, one hopes that the good governance thinking about effective government is appropriate for use in development. At least one must ask what this work calls an effective government.[11]

The theoretical answer generally comes with reference to key strands of economic and sociological work, especially Weber's bureaucracy and North's institutionalism (Knack and Keefer 1995; Rauch and Evans 2000; La Porta et al. 1999).[12] Both strands emphasize formal rule-bound governments with clear roles, allowing calculated confidence on the part of the private sector. By extension to other constructs (like agency theory) the literature emphasizes limited, disciplined government. Kaufmann, Kraay and Mastruzzi (2007, 2) identify the foundation of their good governance work as, "The norms of limited government that protect private property from predation by the state."[13]

[9] The influence carries to other governance concepts as well.
[10] DiMaggio and Powell (1983) suggest these and other factors as predictors or isomorphic influence.
[11] Kurtz and Schrank (2007, 542) ask a similar question in their analysis of the World Governance Indicators (WGI): "Are We Sure We Know How Good a Government Is?"
[12] This discussion is quite generalized. Hood et al. (2007) point out that there are many different ranking approaches and that these are associated with a range of different theoretical frameworks. Interestingly, it appears that the more specialized the indicator the tighter the connection to an explicit theoretical model.
[13] Kaufmann, Kraay and Mastruzzi emphasize in their 2007 response to Kurtz and Schrank that North's approach relates best to rule of law and control of corruption measures. They do not provide an explicit rationale for their government effectiveness measure in any of their papers.

The same authors also note that limited government should be responsible for producing key ‘inputs’ to growth and development—like education, health care and transportation infrastructure. Arguments differ on how these should be produced, invoking both Weberian bureaucracy and New Public Management (NPM) elements. The mix of ideas constitutes an interesting amalgam that is less than consistent as a theoretical foundation. Thomas (2006, 10) describes this mix as the result of “personal ideas of governance” of people developing indicators[14] and argues that the “underlying [theoretical] construct has not been defined.” Essentially, the WGI and other products are really the combination of many different measures with many different underlying theories, normative perspectives and viewpoints—the aggregated indicators imply these are all valid and their authors provide a service in combining and ‘organizing’ them.

Indicators reflect the lack of definition. The WGI’s ‘government effectiveness’ indicator, for example, includes more than thirty elements which seemingly just combine a variety of better practice characteristics (See Kaufmann, Kraay and Zoido-Lobaton 1999; Arndt and Oman 2006 and Thomas 2006 for detail of sources and Brinkerhoff and Goldsmith 2005, 203 for a list of ‘ideal’ characteristics): [15]

- Small government with limited engagement, formalized structures and rules,
- High quality, depoliticized public personnel in formal bureaucracy,
- Efficient and effective program implementation and service delivery (especially in education, health and infrastructure),
- Disciplined budgets and efficient expenditures,
- Responsive, transparent, participatory and decentralized,
- Stable and credible policies,
- Pro-business orientation, and
- Minimal red-tape.

Recent critiques focus predominantly on the statistical gymnastics involved in creating indicators with so many elements. My aim is not to critique this process or the indicators

[14] Particularly the WGI indicators.
[15] These characteristics are my own constructs. The actual ‘government effectiveness’ index structure varies for different countries and years due to differing data access. The statistical questions about this approach are subject to significant debate in other domains. I do not intend to enter such debate here.

but to identify the picture of government effectiveness it paints, which I suggest follows:[16]

> An effective government is small and limited in its engagement, formalized in mission and process. High quality personnel devise and implement needed programs and deliver efficient and effective services via participatory processes and disciplined, efficient financial management. Responsiveness to the citizenry's changing needs is high and effected through transparent, decentralized and politically neutral structures; consistently, even during political instability, without impeding (indeed supporting) the private sector.

This picture surely enjoys face value and embodies characteristics one would imagine finding in effective governments. It is also demanding, [17] to the degree that one surely would anticipate a fit only with governments in developed countries. This is certainly the case, as reflected in recent country scores shown in Figure 1.[18] Ranging between 2.5 and -2.5, scores show the effectiveness of governments relative to others. The space above zero ostensibly harbors effective governments and the space below zero shows ineffective governments. The three regions to the left are the twelve former Soviet Union (FSU) countries, a selection of twenty Sub-Saharan African countries[19] and eight South Asian (SA) countries—all developing and transition areas. Only four governments in this selection of 40 were comparatively effective (Bhutan at 0.33, Ghana at 0.05, Maldives at 0.03 and South Africa at 0.78).

The next three regions are Latin America (LA), East Asia (EA), and the Middle East and North Africa (MENA). There are 46 representatives from these regions and 16 of these were comparatively effective.[20] Two of the most effective governments come from East Asia (Hong Kong at 1.76 and Singapore at 2.2). Nine out of 15 Eastern European (EaU) governments scored in the effectiveness section; all are in the European

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[16] I thank Guy Stuart for leading with this idea.

[17] The demands of such model led Merilee Grindle to write her paper, "Good Enough Governance" where she writes (2004, 526): "The good governance agenda, largely defined by the international development community but often fervently embraced by domestic reformers, is unrealistically long and growing longer over time."

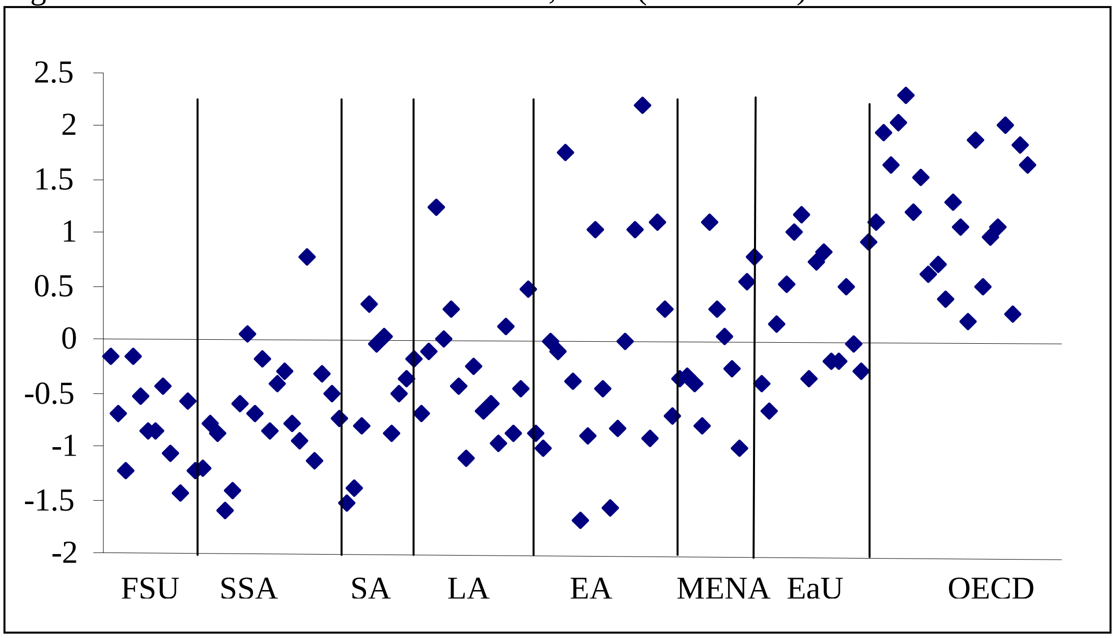
[18] This discussion is based on 2006 scores, which do not differ significantly from other recent years.

[19] These are the largest twenty SSA countries, measured by population size. This selection omits some African governments fitting into the effectiveness zone—Botswana, Cape Verde and Mauritius. These are notable for their small size.

[20] In total there were 17 from LA, 19 from EA and 10 from MENA. Five effective governments came from LA, Six from EA and five from MENA.

Union (Bulgaria, Czech Republic, Estonia, Latvia, Lithuania, Slovakia and Slovenia)[21] or close to Northern Europe and in advanced talks about EU membership (Croatia). The final group of 20 OECD countries all score in the effectiveness zone. 13 actually score above one. Nine of the eleven countries with governments scoring above 1.5 are in the OECD.

Figure 1. Government Effectiveness Score, 2006 (-2.5 to +2.5)



Are one-best-way models of effective government appropriate for development?

One can view these scores as comparative performance against a one-best-way model of effective government, where I propose a model simply as a structural design for emulation across settings. The model here could be the picture of government effectiveness outlined above, which one would expect to see represented in the countries scoring highly on the index—Denmark, Singapore, Canada, Sweden, Australia and the Netherlands,[22] the United Kingdom, Hong Kong, USA, Belgium and Germany.[23] As discussed, the dominant characteristic of these countries is their advanced level of

[21] Hungary and Poland are classified as OECD in this figure.
[22] The six that scored above 2 and make up the top five percent.
[23] These scored above 1.5 and rounded out the top ten percent in the sample.

development,[24] which raises an obvious concern; using examples of success to show what success is can be like telling developing countries that the way to develop is to become developed.[25] This concern underlies part of Pritchett and Woolcock's worry that thinking based on such examples poses a problem in development: "Simply mimicking … the organizational forms of a particular "Denmark"—has in fact been a root cause of deep problems encountered by developing countries" (Pritchett and Woolcock 2004, 193).

The comment obviously relates to attempts at replicating elements of Swedish (or other) models in developing countries. Its concern could also be raised in regard to other uses of such a model in development: Should this approach to thinking about government effectiveness inform academic work on growth, development and poverty reduction as much as it does? Should this approach underlie lending decisions by donors?

Similar questions have emerged in regard to the use of best practices in general, especially in the public sector (Overman and Boyd 1994). Articles increasingly find best practices devoid of theoretical and sometimes even practical merit and applied in inappropriate contexts. Concern has even emerged regarding models of corporate governance, arguably the private sector parallel of good governance literature. Observers identify flaws in the one-best-way model of corporate governance propagated by business schools on the basis of agency theory similar to that informing good governance indicators. Sumantra Ghoshal links this literature and applications thereof to recent corporate failures in America.[26] Expressing concern at the use of faulty corporate governance models, Ghoshal (2005, 86) reverses Kurt Lewin's comment that "nothing is as practical as a good theory" by saying: "The obverse is also true: Nothing is as dangerous as a bad theory." Ghoshal claims further that, "Bad management theories are, at present, destroying good management practices." The question is whether Swedish (or

[24] Some critics suggest that the indicators do not measure government effectiveness or other good governance elements but rather some other underlying variable, like economic growth. I would suggest that this thinking is correct and that the indicators actually capture development broadly—those performing well are (generally) more developed than others.

[25] See Rodrik (2006, 13).

[26] Ghoshal (2005, 81) identifies Enron's 'best practice' structures as an example; the structures reflected theoretical models and what was considered best practice methods of ensuring agents maximize principal's interests, including having stock options for senior executives and independent directorships. These are now considered key contributors to the problems at Enron.

other) models of effective government emerging from good governance work is similarly problematic for the development community?

Answering the question requires analyzing the quality of the good governance model and its appropriateness in the development context. A basic approach to doing this involves seeing how well the model—structural design for emulation—meets simple criteria, raised in the literature on models itself (Mayer 1989):[27] Is the model consistent? Is the model correct? Can the model convey or pass one and be replicated?

Are one-best-way models consistent?

Models are stories by which we connect certain elements and characteristics with certain realities and often take the shape of structural designs for others to emulate. Consistent models are characterized by a high correlation between the model's ideas (its core elements and implicit causal links, reflected in its structural design) and its examples, and between the examples themselves. Consistency in the good governance model thus requires that the high-scoring governments (Sweden and the others) reflect the suggested picture of effective government and that they resemble each other.

Such consistency is high when one considers the proposed outcome of effective government, growth and development. The highest-scoring governments all exhibit long trends of positive growth, dating back to the late nineteenth century. The trends include periods of economic downturn which are sometimes common and sometimes peculiar.[28] Overall they are positive and represent sustained and quite common paths, whereby all of the countries except Singapore and Hong Kong grew at similar rates across periods—continuing to today.[29] Questions about causality between growth and governance suggest that this may not reflect a result of government effectiveness, however. The provision of

[27] I adapt Mayer's approach to the use of models in the educational context, which is surprisingly relevant to development. He identifies the characteristics that make a model useful for assisting people to understand things and then to act upon such understanding. In development we try to understand why some countries grow, reduce poverty, and generally advance while others do not; our understanding centers on potential future action.

[28] Most declined during the Great Depression period of the 1930s, for example.

[29] Tanzi and Schuknecht (2000, 78) show how the nine OECD countries grew at a fairly brisk pace between 1870 and 1919, accelerated between 1920 and 1929, slowed or declined in the 1930s, accelerated significantly following the war and in the 1960s and slowed through the 1980s to 1994. My own calculations from the World Development Indicators show average growth rates between 1 and 2.5% in the governments for the 2000-2006 period. Cumulative growth for the period suggests difference from other country groupings.

key services—what Kaufmann et al. call 'inputs' to development—can be more firmly attributed to governments (at least at the margin).[30] Trends in this regard also suggest consistency. Top scoring governments all produce highest-level health, education and infrastructure services. Access and performance in health and education, for example, are in the top percentiles in all nine OECD countries analyzed. Performance is not only high on key measures like life expectancy and infant mortality, but improvements in the past century have seen convergence around these high levels for the countries, further suggesting consistency.

There is less consistency in the way the different governments produce these services, however. While all countries allocate vigorous sums to both sectors[31] and there is a common trend towards more health spending, the role government plays in the sectors varies significantly. Government in the USA plays a relatively smaller role in both sectors than in other countries, actually contributing less to health care than the private sector.[32] Countries like Sweden and Denmark (and even the UK and Canada) stand in contrast, with relatively small private sector contributions.[33] Structural approaches to delivery also vary greatly with some governments (like Sweden) engaged in more quasi-private activities than others—like child and elderly care as well as "bakeries, gyms and garden centers" (Henrekson 2005). Public private partnership engagements in health, education, infrastructure and other sectors also vary across the sample as do levels of decentralization (with the UK, Belgium and the Netherlands more centralized in health care than Sweden, Denmark and Germany (Mosca 2007)).[34] Statistical comparisons suggest that recent decentralization trends actually run in different

[30] The literature shows that many outcomes (infant mortality for example) are explained by factors like per capita GDP. Specific governments can ostensibly have a marginal influence on these figures but are still not the main influence.

[31] Above 5 percent of GDP in regard to education and above 8 percent for health.

[32] The USA spends more out of GDP on health than the other countries. In 2000 it spent 13 percent of GDP on health as against the 9 percent average of the other countries, and in 2004 the comparative figures were 15 percent and 10 percent. Government accounts for less than half of this total, however (6 percent of GDP in 2000 and 7 percent of GDP in 2004). All figures from OECD 2007.

[33] The Swedish government accounted for 7.7 of the 9.1 percent of GDP allocated to health in 2004 and the Danish government accounted for 7.8 of 8.6 percent of GDP allocated to health care in 2004. All figures from OECD 2007. See Busemeyer (2007) for details on OECD differences in education spending.

[34] See also Rexed at al. (2007) for discussion on how the details of decentralization differ.

directions as well,[35] suggesting a lack of consistency between management structures in the nine OECD governments and the ‘government effectiveness’ prescription of limited and decentralized government.

There is a further lack of consistency in regard to government size (Handler et al. 2005). The good governance picture suggests the importance of small government. Evidence shows, however, that not all of the high scoring governments are limited in size. They differ significantly in this regard, no matter what measure is used. Public expenditure to GDP ratios ranged from about 35 percent to over 55 percent across the countries in 2004, down from highs of about 37 percent to 73 percent in the mid-1990s (Hauptmeier et al. 2007, 268).[36] Size differences reflect partly on different approaches to budgeting and financial management as well. While governments have followed a common pattern reflected in the recent move to centralize the process across the entire group, there are still process differences emerging from cultural and political influences and manifest in different degrees of ex ante and ex post control in budget and financial management systems, differences in performance management structures and such (Curristine 2005; Hallerberg et al. 2007; Journard et al 2004).

Differences in key public financial management systems are known to foster differences in all sorts of management incentives and behaviors. Thus there is further reason to question the ‘consistency’ of government models in the countries under investigation. More reasons arise from a quick glance at revenue statistics. Revenue to GDP ratios range from just over 30 percent to 50 percent in the countries, and tax collections as a proportion of GDP are also quite different (Tanzi and Schuknecht 2000). These differences have implications for the way government is structured and engaged with society; varying tax burdens imply different linkages between government and the private sector, for example. High taxes and transfers in countries like Sweden place an economic burden on firms which has been blamed for a low-level of entrepreneurship in the country (Henrekson 2005).

[35] Thieben (2003) discusses how some of the governments are decentralizing more and others are actually centralizing. The paper suggests that they may be converging on an optimal size and level of decentralization, which would be interesting as a characteristic of effectiveness but is still only a hypothesis. For further discussion see Stegarescu (2004, 11).

[36] The entire group of governments was in fiscal trouble in the early to mid-1990s, the tail of a fiscal expansion period that led to some significant adjustments in the past fifteen years.

This kind of observation causes one to re-think whether all of the countries have pro-business policies. At the very least evidence suggests that the pro-business orientation of the governments varies, with different levels of taxation and administrative and economic regulations across the sample (OECD 2005; Malyshev 2006). There is a trend towards lowering burdens on business but, as with the trend towards fiscal centralization and discipline, modalities and administrative processes still vary considerably. Recent statistics show that businesses must comply with fewer regulations in these countries than in many others (to start new operations, build warehouses and such) and that processing times are relatively shorter in these governments (OECD 2005, see especially pages 23 and 31; and World Development Indicators based on Doing Business surveys). But Belgium still stands out as having relatively bureaucratic processes, bucking the trend. Sweden has fewer processes and is quite efficient (now) at processing administrative requests but has high tax burdens and stringent social, environmental and economic regulations that some argue hinder new business development. Both Sweden and Belgium have lower levels of new firm entrants in areas like manufacturing and services than the other models (OECD 2005), ostensibly resulting from some of these constraints, which reflect differences in both the way government views its role vis-à-vis business and the way it administers itself.

The high performing governments certainly do differ in how they manage regulations at the interface with business. Key regulatory processes vary, written in law in some places and framed only in lower-level rules in others, resulting in very different levels of transparency and consultation (Malyshev 2006). The choice of who manages such policies also varies with options including ministerial agencies, independent advisory agencies and independent regulatory authorities. These are often arms-length agencies, which the various best practice governments have used in different ways over the past fifteen years (Matheson et al. 2007). Sweden has decreased the size of its civil service in the past two decades by (in large part) creating these agencies. The civil service comprised 46 percent of total public sector employment in 1985 and only 24 percent in 1996 (OECD 1999, 6). Nothing in the good governance literature helps one to think about what these entities should look like or how their creation might affect accountability and efficiency. The ‘government effectiveness’ indicator simply rewards governments for having fewer civil servants and more ‘decentralized’ structures.

The new structures have implications for core management issues, however. Oversight procedures are not equally applicable to arms-length agencies in countries like Belgium and the USA (Matheson et al. 2007). Personnel procedures for these agencies differ from those governing the civil service in Belgium, Sweden, the United Kingdom and the USA. Rules limiting political involvement of bureaucrats do not hold for arms-length agencies in Sweden.

Such variations cause one to look carefully at the supposedly strong Weberian bureaucratic structures that indicators show are in place in the higher-scoring countries. Certainly all nine governments have merit based hiring processes in place for the civil service and all have rules limiting direct political engagement for civil servants. But creating arms-length agencies where such rules do not hold muddies the picture. So too do details of the systems in the different countries (Matheson et al. 2007; Rexed et al. 2007). On the subject of political influence, for example, Matheson et al. (2007, 15) comment that, “While there is near universal agreement on the general principle of political non-partisanship, it is not necessarily equated with an apolitical process for senior appointments.” Their study of OECD governments reveals a “wide diversity in the level of involvement by politicians in the appointment and management of senior civil servants.” Governments like Sweden and the USA allow political engagement in these kinds of decisions for at least the top four levels of the civil service (and some of the appointees here are not civil servants). The United Kingdom has no such involvement, at any of its senior levels, which are all merit-based and transparently so.

The meritocratic, Weberian model of bureaucracy may thus not be consistently in place in the countries that score highly on the government effectiveness indicator. Certainly there is no consistent bureaucratic model across the countries just as there is no such model regarding the processes of engagement with business or the size of government or the methods of disciplining finances or even the structures of service delivery.[37] The most consistent part of their story is that they are all development

[37] Other research making similar observations include Matheson et al. (2007) and Gualmini (2007), who finds that while many governments adopt similar kinds of processes, they do so differently.

successes.[38] There is some consistency in regard to broad formal public management frameworks (broad budgeting approaches and bureaucratic structures, for example). Beyond this, however, consistency declines, suggesting a limited model and problematic basis for thinking about effective government.[39]

Are one-best-way models correct?

Good models provide an acceptable construct to explain reality. When elements are combined such models constitute coherent, believable stories explaining the reality under consideration—structural designs that match the settings in which they will be emulated. Given the current article's focus a correct model would provide a strong story about how its effective government elements coalesce to foster development and the picture of effectiveness would constitute a design that seems to match with the development country setting.

Problems with establishing model consistency obviously complicate any discussion of correctness. If nine developed country governments assessed as being effective do not actually resemble one another or the picture of effectiveness implied in the indicators they commonly score high marks on, there is limited rationale for testing the implied model's appropriateness in explaining development outcomes. Beyond this problem, however, there are further observations about the issue of correctness that warrant brief discussion. Essentially, government effectiveness scores provide a measure of governments in the recent past (dating back over a decade at the most, the period in which they score their high marks). The question is whether these scores and the good governance model of effectiveness they might reflect have any relevance for governments currently challenged by early or mid-stage development?

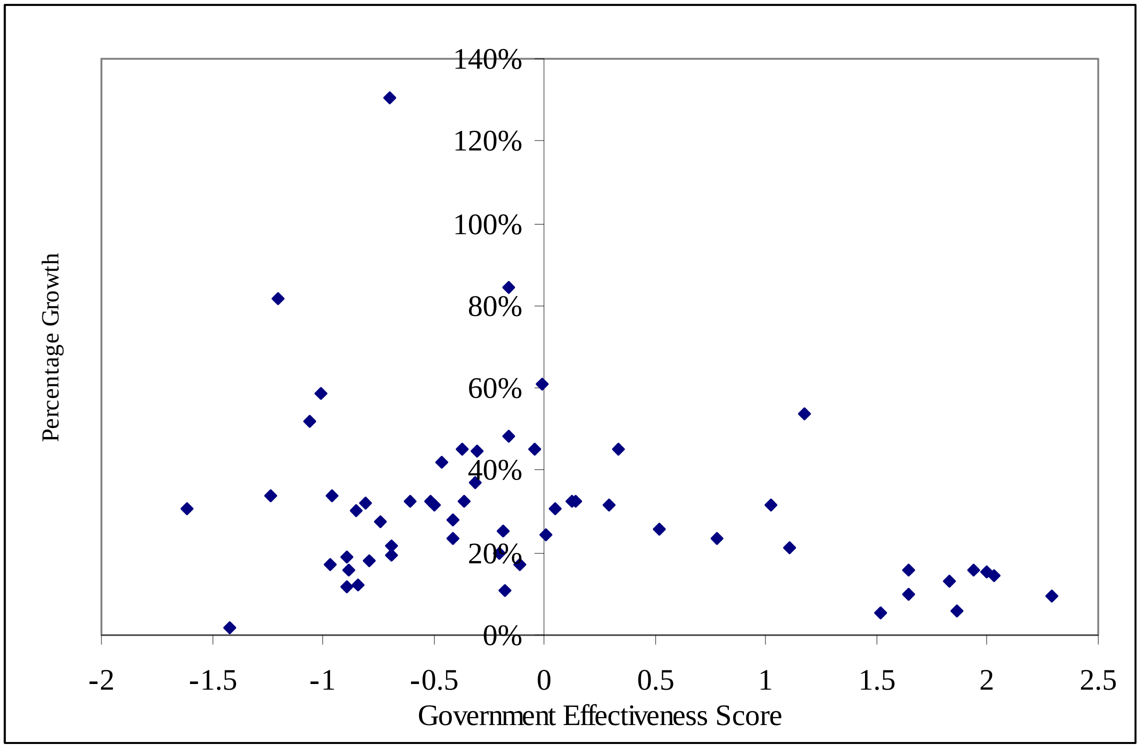
During the last ten 'good governance' years the countries we currently call developing have struggled with issues that the high-scoring governments have not. Current 'effective' governments are not dealing with aggressive growth spurts or trying

[38] As already suggested, this seems the underlying construct actually measured by the indicator.

[39] This conclusion would not surprise Thomas (2006, 10), who questions the theoretical constructs in the WGI indicators: "An examination of the underlying indicators suggests that the WGI construct definitions are merely summary descriptions of the indicators in the cluster. The authors explain the clustering as an expression of personal ideas of governance, but these ideas are not articulated…If this is the case, then the underlying construct has not been defined at all and there is no way to check the validity of these constructs or to explain why we would care about them. No meaningful predictions can be made regarding the relationship between undefined constructs and observable variables."

to put their many young citizens to work; they are rather in a slowed growth phase struggling with questions about fiscal sustainability arising primarily from the looming health care costs of an aging population. Figure 2 shows differences between current growth rates faced by the effective governments (at the right) and other governments (ranging from most ineffective at the left).

Figure 2. Government Effectiveness and Economic Growth, 2000-2006[40]



Sources: Tanzi and Schuknecht 2000; World Development Indicators (accessed December 2007); OECD 2007.

The more effective governments were working in economies averaging 11 percent growth between 2000 and 2006 (the equivalent of less than two percent annual growth). Less effective governments watched their economies grow in excess of 20 percent over the period (on average).[41] Countries with ineffective governments (scoring below zero) actually grew by an average of 25 percent in this period (about four percent annually).

[40] 42 governments from the original sample are represented here. The others did not have data available.
[41] This is after adjusting for the presence of oil rich and other outliers like Azerbaijan and China. Including them in the calculation results in an average annual growth rate exceeding six percent for the sample.

The governing context in developing countries differs from that in developed countries in other important ways. As mentioned the population dynamics are different with vast numbers of younger people in the developing world and a growing older population in industrialized countries. This suggests different demand-related challenges in key service areas like health, education and infrastructural development. One can imagine these different challenges resulting in different choices of government engagement and in different resource and administrative needs; governments in developing countries may need to engage more in programs focused on youth development and build new schools to accommodate growing numbers of children, for example, while those in developed countries may be focusing less on youth-based policies and more on the aged, closing and consolidating schools to deal with a declining school-going population and building old age homes. Differences like this will also result in demands for different types of people, different organizational structures in governments.

Revenue structures also vary significantly—even more than they do in the more effective governments (as discussed). Figures 3, 4 and 5 show how the more effective governments have generally higher domestic revenue sources than less effective governments, are less dependent on taxes on international trade than less effective governments and are more dependent on direct domestic income and profit taxes.[42] I raise these differences because revenue raising abilities and revenue sources arguably have a significant impact on government focus, structure, responsiveness and such. A high dependency on international trade taxes certainly complicates government's role in managing trade, for example, and necessitates having specific regulatory and administrative structures.[43] This kind of dependency often reflects limited formal contracting structures in domestic business (affecting abilities to tax income and sales).[44]

[42] A similar observation holds for domestic indirect or sales taxes.

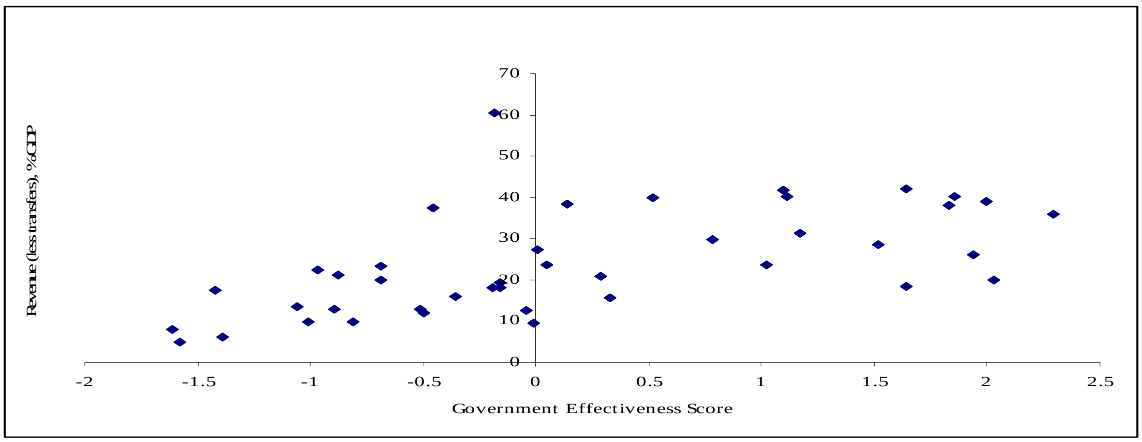
[43] Dependency on international trade taxes is actually regularly used to assess governance quality. I am not ascribing any such value to countries with high international tax dependency here, however. My intention is merely to note that such dependency is expected to yield different administrative realities.

[44] Governments can only exert taxes on formal transactions that are recorded in institutionalized forms (through accounting systems, for example). Many domestic transactions are not subject to such formality in early stages of development, as societies transact within relational structures. International trade tends to be formalized earlier because of a lack of inter-personal connections between those engaged in the transaction. The formalities of trading engagements allow for taxation at an early stage, when perhaps domestic transactions—wage payments, commercial sales, etc.—are still not open to easy taxation.

Such dependency is also expected to influence what government looks like, as discussed in the emerging fiscal sociology literature, which argues that "Sources of state revenue have a major impact on patterns of state formation" (Moore 2004, 297).

Furthermore, small domestic tax bases go with young populations and informal economies, and create peculiar challenges in regard to fiscal balancing that are different to those challenging more developed economies, with broader and more formalized domestic tax bases. The interactive dependency of government as an organization on domestic business and citizens in more effective governments stands in strong contrast to the interactive dependency many less effective governments have, contextually, with foreign entities driving trade, providing aid and buying primary products like minerals and oil (often these are the three dominant resource sources).

Figure 3. How Government Revenue/GDP ratios differ, 2005



Sources for Figures 3, 4 and 5: Tanzi and Schuknecht 2000; World Development Indicators (accessed December 2007); OECD 2007.[45]

Figure 4. Different Dependencies on Direct Income, Profit Taxes, 2005

[45] 48 governments from the original sample are represented here. The others did not have data available.

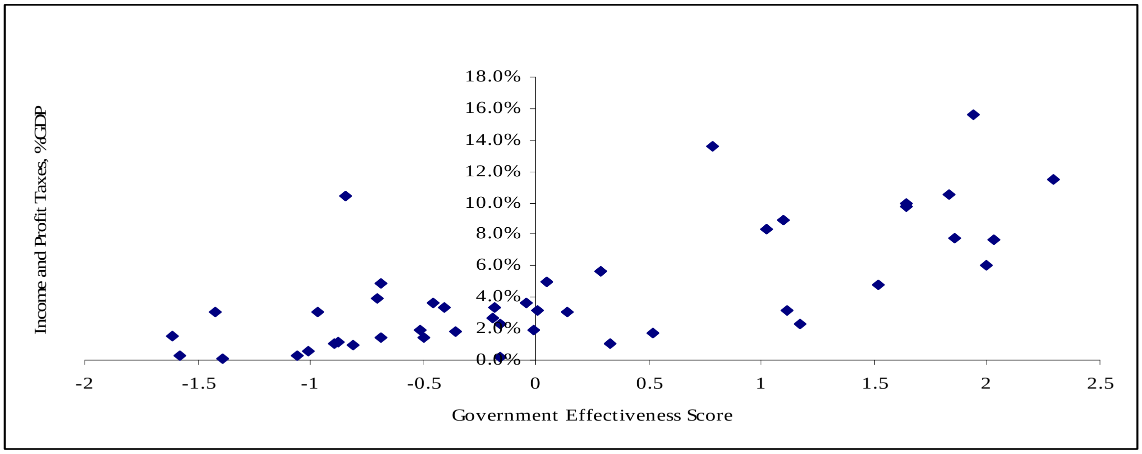
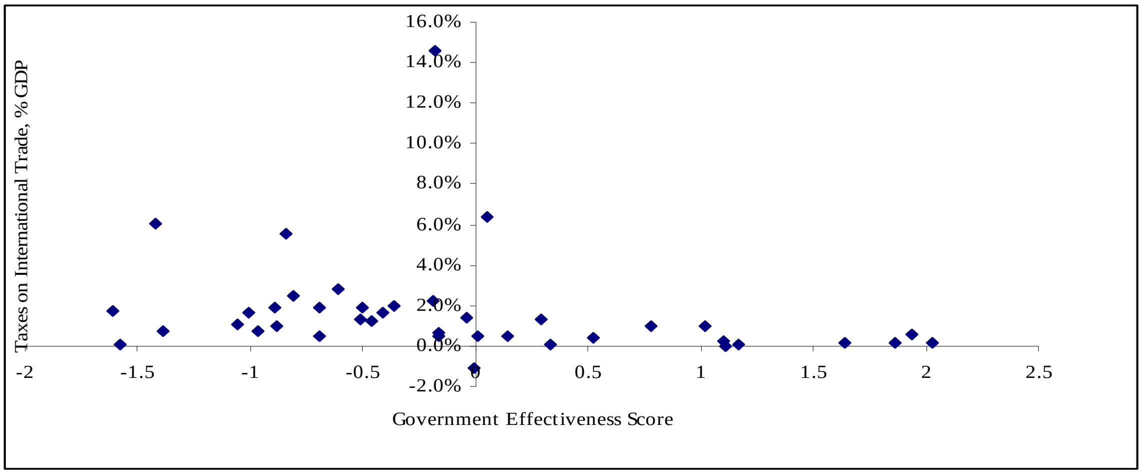


Figure 5. Different Dependencies on International Trade Taxes

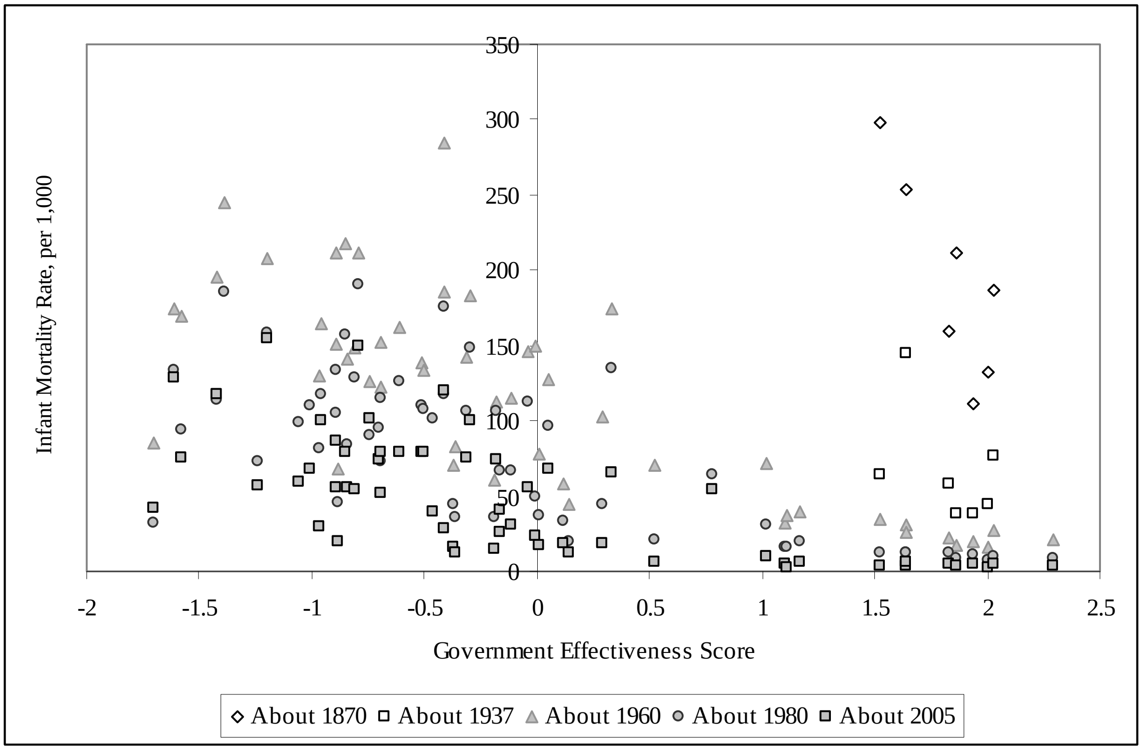


The differences between government realities in developed and developing countries manifest in almost every area—growth rates, revenue dependency, access to and ability to retain skilled people, basic infrastructure (buildings, communications technology, etc.), and so forth. As a result government challenges are highly divergent as well. Consider the case of health care demands reflected in Figure 6 which shows how different governments face different infant mortality problems. More effective governments have to deal with significantly lower levels of infant mortality now (in 2005) than less effective governments. The differences are large, even though infant mortality rates have been dropping in those countries with less effective governments.[46] Responses to high levels of infant mortality involve management engagements, structural arrangements and resource allocations that are not the same as those associated with low

[46] Similar differences are evident in regard to key outcomes like life expectancy (health), educational access (education) and tarred road coverage (transportation infrastructure).

infant mortality rate contexts. Given the differences in governance context and in challenges faced by governments ranked as effective and those ranked as ineffective—otherwise known as developed and developing—one has to ask whether Swedish or other developed country models are appropriate, or correct, for governments in the Congo or Ghana or Bolivia.[47]

Figure 6. Infant Mortality Rates for Various Governments and Years



Source: World Development Indicators (accessed December 2007); OECD 2007.

Figure 6 provides a partial answer in its presentation of longitudinal as well as cross-sectional information. It shows that, at some time in the past century, the countries with more effective governments had infant mortality rates similar to those challenging less effective governments today. The model governments had to deal with high infant mortality rates in the late 19th century which declined significantly between 1870 and 1937. Similar progress is evident in less effective government settings between 1960 and

[47] Jones and Kettl (2003, 10) ask this question in regard to public financial management, noting "convergence of reforms around general themes" even though "Developing nations have different management reform problems than developed nations."

2005. By the numbers alone, the infant mortality challenge in Sweden and the Netherlands in 1937 (a rate of about 40) is similar to that faced by some developing countries today (including Brazil, Georgia and Nicaragua).[48] The larger challenges Belgium and Canada were still dealing with in 1937 (rates at 145 and 77) correlate with the problems governments in Angola, Azerbaijan, Kenya and Pakistan (among others) still struggle with.

Similar longitudinal analysis also reveals important points of connection in regard to growth, revenues and other variables. Most of the more effective governments faced economic growth rates similar to those now evident in developing countries (three to four percent and above per annum) between 1870 and 1913, 1920 and 1929 and in the 1960s and 1980s (Tanzi and Schuknecht 2000, 78). Revenue to GDP ratios were low in these governments in the latter part of the nineteenth century and early twentieth century, generally reaching levels like those now observed in developing countries sometime in the 1920s and 1930s (Tanzi and Schuknecht 2000, 52-53). Revenue composition also changed significantly during the past century and more. Taxes on international trade amounted to nearly three percent of GDP in Canada and the United States in 1870 and Canada still drew more than three percent of GDP in these taxes in 1913 (Tanzi and Schuknecht 2000, 56-57). This exceeds current levels for all but a handful of less effective governments, which are mostly located in a band between one and two and a half percent.[49] On average the currently more effective governments in the OECD relied on international trade taxes for up to two percent of the value of GDP in 1937. In the period since world war two these governments decreased dependence on trade taxes and enjoyed increased access to and (most importantly) cultivated a dependence upon domestic income and sales taxes.[50]

[48] All data referenced from Tanzi and Schuknecht (2000) or OECD (2007) or World Development Indicators (accessed December 2007).

[49] One should note that revenues were low in many developed countries in the early 1900s, such that international revenues making up 3 percent of GDP accounted for half of total federal revenues. The numbers I cite here for current developing countries are for trade revenues as a percentage of GDP—not including donor funding which accounts for significantly higher numbers in many cases.

[50] The average OECD ratio of direct domestic taxes to GDP increased from 3.4 percent in 1937 to 14 percent in the mid-1990s; similar change saw indirect domestic taxes increase from an OECD average of 4.9 percent of GDP in 1937 to 13.5 percent of GDP in the mid-1990s (Tanzi and Schuknecht 2000, 56-57)..

Given even this brief discussion it strikes me as obvious that basic contextual differences complicate comparisons between current developing country governments and current Swedish (and other) models. But developing country governments might be able to learn a lot from the governments that existed in these countries at points of time characterized by more similar developmental contexts and particularly from the way the governments evolved beyond those contexts. The lessons would be even more pertinent when derived from the experiences of other developing countries that are perhaps one or two steps higher on the effectiveness ladder but more contextually connected—adjacent, culturally and politically similar, for example.[51] What did today's effective governments' and/or more effective developing governments' health sectors look like when faced with infant mortality rates resembling those we see in developing countries today? What did these governments' health sectors look like as they addressed this challenge and produced or facilitated the much-improved outcomes of today?

I am not suggesting we ask these questions to identify a one-best-way stage-of-development model (which I do not believe exists anyway) but rather that we try to understand the evolution of government in contexts where results show effectiveness. This evolution may not always be applicable in a technical sense—the approach to treating infant mortality now (via immunizations) contrasts to that adopted in the early 1900s (confinement) [52]—and there may be questions about the applicability of yesterday's lessons in today's globalized world. But there are key issues that are surely relevant: Why and how did the governments identify their challenges, and move from challenge to challenge? How did they mobilize skills to deal with the challenges? How did they organize themselves? These are the kinds of questions organizational theorists focus on when discussing effectiveness. If we ask them, we suggest that effectiveness is really about the way governments identify and deal with problems—through contextually fitting processes that may evolve and adjust with changing contexts.

[51] I am indebted to an anonymous reviewer for making this observation.
[52] Thanks to David Leonard for noting this. One could note many differences between infant mortality problems in developed and developing countries as well, including the current role HIV/AIDS plays in weakening health statistics (in countries like South Africa especially). But there are also many common challenges: How did Belgium ensure clean drinking water in the 1940s in a way that most developing countries cannot today? How did Canada manage to set up geographically spread health outposts financed and resourced by the government fifty years ago?

One is guaranteed to find that past models adopted in today's more effective governments fall short of a high-scoring WGI 'effective government'—many of today's more effective governments did not have formal budget systems in the 1900s, for example, but were involved in important developmental endeavors.[53] But the effectiveness of the Swedish (and other) governments in their own development process is evidenced in their improved inter-temporal results since the 1900s. Could some of those governments currently labeled ineffective be similarly effective, given their contextual challenges, even though they look really different to the 2006 WGI model? I argue so, because the 2006 model is the incorrect fit for most developing country governments. It says nothing about how governments come to facilitate development by 'muddling through' their challenges and opportunities—the key story line in development—and particularly how they identify and manage problems they face.[54]

Can one-best-way models convey? (The preachy proverbs problem)

Convey-ability is the third criterion I think any good model should possess. The simple idea is that the model must be able to pass-on or be replicated from one situation to another. In the current context this would mean that governments other than the effective government models are able to adopt proposed effective government elements and that these elements are seen to coalesce to foster development in the new adopters.

Concerns about model consistency and correctness discussed here potentially undermine any discussion of convey-ability. If there is no one-best-way model to convey, what is there to examine? If the proposed model appears incorrect and inappropriate one would expect no chance of conveyance. These concerns are valid, but a brief analysis of this issue is still warranted because of the wide-spread popularity of many of the ideas and elements embodied in the good governance model of effective government. In many instances reforms resemble less of a coherent Swedish (or other) model than a collection of ideas about what good politics or public management looks like; assortments of

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[53] It would be interesting to actually calculate these scores for the models in the 1920s, 1950s, 1960s and beyond. This is impossible because the scores are based in large part on collected opinions of interviewees. Even fact-based elements are not open to assessment as the questions on which the indicators are based are not publicly known in most cases, limiting any ability to calculate scores for the past.

[54] I borrow from Lindblom, believing government effectiveness of today is largely a function of the muddling through of the past. The question is why we do not emphasize this muddling through and learning from such muddling through?

popular perspectives on 'what works' drawn from the good governance literature itself or its various supports. Without examining the convey-ability of an entire model, therefore, it is possible, interesting and worthwhile to ask if central ideas pass-on effectively. I will focus on a few of these ideas only, starting with prescriptions for limited, business friendly government that currently dominate much dialog about effective government.

Many commentators blamed excessive government engagement for South Korea's 1997 financial crisis (Brilliantes 2001). Such approach melds well with arguments that effective governments should be limited and should not impede the private sector with limiting regulations and "disciplinary" mechanisms.[55] The argument ignores some important observations, however, raised in alternative explanations of the crisis. These show that the Korean government had actually been dismantling its dominant state apparatus since the early 1990s. Regulations had eased, 'disciplinary' agencies like the Economic Planning Board had been closed and the government was obviously pursuing a 'best practice' western model.[56] Basically, the Korean government was not the dominant force in 1997 that it had been in 1989 (Chang 1998; Chang et al. 1998; Chang 2000; Chang and Evans 1999; Crotty and Dymsky 1998; Sharma 2004; Weiss 1999). A growing chorus thus suggests that the financial crisis was actually influenced by the new weakness of the state, the lax regulatory climate and the lack of strong norms and rules in the new Korean state (rather than the overly engaged state).

It is difficult to conclude the validity of this argument (which is often dominated by the more controversial perspectives of some of its authors, about the importance of free trade, for example). It does seem, however, that the reform ideals pursued by Korea may have been an incorrect match to the country and the ideas of limited, disengaged government may not carry well from countries like the USA to Korea, at least in the short run. The transition from a government-led economy to one with more limited government leadership was very problematic and actually led to gaps in the social, institutional and

[55] Amsden (2001) described government policies in East Asian tigers as "disciplinary" of business.
[56] The isomorphic influences of pro-market western thought are well documented in various accounts of Korea's reforms. Echoing DiMaggio and Powel's (1983) reasons for isomorphism Chang (1998, 1559) cites the rise of this ideology globally and Korea's "relatively weak intellectual tradition"; the two together made it difficult to "resist…shifts in the world intellectual climate."

transactional structures.[57] Some observers go beyond this to claim that the one-best-way model embodied in these new ideas ignored opinions that East Asia's tigers represented another model that looked very different—and was effective in its context. Korea's growth under a developmental state up to the 1990s creates problems for proponents of the good governance model because of the departure from principles of limited government,[58] pro-business policies and limited red-tape. So does Singapore, which is cited as an 'effective government' in the WGI dataset but beyond its stellar outcomes and high quality bureaucracy has traditionally looked very different to the picture painted earlier. The government controls the media, regulates stringently, and generally directs the economy in a centralized, non-participatory manner (See Huff 1995 for a description of government at the time, when it scored 2.28 on government effectiveness and was an effective government model).

Part of the story here seems to be the existence of an alternative model of effective government to that presented in the good governance indicators. Another part of the story is the failure of good governance principles to convey effectively to countries like Korea. Deregulation and limiting the state did not lead to effective economic results. Perhaps this is because of something in the social structure or the environmental context, that makes different approaches fit better into different settings. There are certainly arguments supporting this perspective from sociology (Woolsey-Biggart and Guillen 1999 is an example) and political science (Putnam is often cited). One is reminded that this issue is also evident in the public administration literature, where Herbert Kaufmann (1977) contextualized the meaning of red tape in the saying that, "One person's red tape may be another's treasured safeguard." Perhaps we should contextualize other dimensions of government engagement as well: One country's unwanted regulation may be another country's steering and stability mechanism. Carrying ideas of de-regulation from another country to the one may thus create instability and undermine direction.

[57] Chang (1998, 1559) argues that the 1990s reforms re-framed government-business relationships. He notes that the developmental state was characterized by "well publicized "rational" criteria for intervention" and a ""generalistic" state-business relationship." Reforms in the 1990s eroded the known rules and led to what Chang calls "particularistic" or "cronyistic" relationships.

[58] See Amsden (2001). Also, authors like Huff (1995) reference the simultaneous development of institutional capacities, improvement of living standards and economic stability with growing government control.

This thinking is perhaps useful in explaining some other reform replication problems seen around the world. Mauritius is one of few African countries categorized as middle income and having an effective government (scoring 0.63 on the WGI government effectiveness indicator in 2006). It is "often presented as a poster child for how high-quality institutions bolster development in our era" (Goldsmith 2007, 177). Its formal bureaucracy receives high marks for being merit based and efficient and for having facilitated industrial development. However, accounts of actual bureaucratic structures suggest a different reality. Consider the following from McCourt and Ramgutty-Wong (2003, 609) on the government's meritocratic selection processes:

> For initial recruitments, suitably qualified candidates sit a test of general knowledge, so there is an 'examination' [in a formal sense]…Shortlisted candidates attend an interview conducted by two commissioners and an adviser…[But] There is no professional selection expertise…, there is no evidence about whether this selection approach actually manages to identify able staff, and there appear to be no innovations in employee selection in recent years. (Brackets inserted)

Complaints of abuse in the hiring process abound, according to McCourt and Ramgutty-Wong, who cite familial, political and ethnic influences in hiring. There is limited transparency in the bureaucracy and its functionality is called into question. The Ministry of Economic Development and Regional Co-operation (1997, 1.11) is quoted as complaining about the hindrance such bureaucracy actually posed: "A pervasive and heavy-handed bureaucracy still rules and it is a miracle, no less, that in these circumstances, industrial development did take place at all."

Goldsmith (2007, 179) notes various explanations why growth did take place, including social capital structures and the country's geographic position. He explains that many business contacts were relationally driven and lacked formality. The relational basis of business may indeed explain growth as well as why a relational government structure was accepted in the country. Such bureaucratic structures prevail in countries like Bolivia as well, where patronage has long been used to facilitate compromise and political agreement (World Bank 2000; Montes and Andrews 2005). Efforts to rationalize and formalize the civil service, public financial management systems and so forth have not worked very well and may have undermined government transparency in Bolivia as civil servants created alternative hiring processes and accounting and financial reporting structures to avoid new formal systems.[59] In these cases formal Weberian bureaucratic systems did not convey well, either from colonial sources (in Mauritius) or through more recent reforms (Bolivia). Governments end up with these systems and processes running parallel to others, something Brinkerhoff and Goldsmith (2005, 199-200) call "institutional dualism"; situations where

> Well intended legal, regulatory and procedural changes often produce a shell of proper governance that has little bearing on how public decisions are actually made and implemented. Meanwhile, preexisting and deeply embedded understandings and practices survive and continue shaping the way people are ruled.

Andrews and Hill (2003, 136) observe this dualism in their discussion of why performance-based budgeting reforms (PBB) are seen to have subdued results at state level in the USA:

> PBB reforms involve the introduction of new rules and norms to drive budgeting behavior, which have to overcome the influence of pre-existing rules and norms (usually associated with incremental and program budgeting systems) in order to influence behavior…Where PBB is implemented as a mere complement to a pre-existing system, although PBB-like devices may be in place, the institutions affecting behavior are more likely to come from the previous budgeting system…

The basic idea is that even something like bureaucracy does not convey with the same effect from place to place,[60] primarily because every context has prevailing structures that need to be built upon or given time to evolve. Steps to introduce formal bureaucracy into Bolivia were complicated by the fact that patronage in Bolivia facilitated political stability and mirrored social structures. Morris Szeftel found a similar contextual rationale for patronage in Zambia that has influenced what bureaucracy looks like there, in his suggestion of a "link between spoils appropriation and class formation" that can be understood "as part (perhaps a symptom) of a larger process of social change" (Szeftel 1982, 21). Similar comments center on the spoils system in nineteenth century USA, which is roundly criticized now but played an important role in facilitating political compromise and the emergence of a middle class in that period. Interestingly the system took more than one hundred and fifty years to reform, through the reform movement

[59] Creating public agencies for example, and maintaining multiple sets of books.
[60] Olsen (2005, 5) notes that "Bureaucratic organization could produce multiple and contradictory outcomes," citing different types of entities affected, different cultural contexts and such.

(from the 1830s), initiatives in the 1870s, the 1883 Pendleton Act introducing merit-related hiring processes, the 1939 Hatch Act prohibiting political activities by federal employees, the 1978 Civil Service Reform Act and even more recent reforms at the local level (quite recently in cities like Boston and Chicago) and even in federal government.

Okoli (1980) identifies long evolutionary processes like this as crucial to the development of model bureaucracies. He compares these evolutionary processes with reforms in the developing world that involved quick, forced adoption of new systems which could only be adopted in a dualistic sense. In these situations the bureaucratic system that conveys from the west because of its apparent positive influence might actually have a negative influence of creating rule-based walls between otherwise relationally connected bureaucrats and citizens. The type of bureaucracy conveyed to developing countries may look less like the Weberian form and more like the patrimonial bureaucracy that characterized many of today's more effective governments in the past.[61] Okoli (1980, 4) identifies the time-evolution dimension as part of the convey-ability problem, but argues further that necessary evolution would not actually lead to the passing-on of one-best-way solutions:

> Such assertions [about the need for a more evolutionary change process], however, do not indicate that had the process of bureaucratization been gradual and incremental, that the primordial ties and traditional values and institutions would have been eliminated or displaced by the new institutions and values. Neither is it implied that had the time constraints been taken into account that the new crop of African leaders would have been completely transformed into anything other than Africans. Rather the point to be stressed is that had the process been other than what it was, the traditional norms, values, and institutions would have evolved a "modus vivendi," an accommodation with the new institutions and their values. (Brackets inserted)

Replication problems are even more pronounced when looking at interactions of two or more government effectiveness elements. This is apparent in the recent history of Armenia's education system. Struggling to rebound from major fiscal imbalance in the wake of the Russian crisis and influenced by neo-liberal prescriptions, the Armenian

[61] Chabal (2002) provides a nice discussion of this in the context of African governance, pointing out that neo patrimonialism has dominated most African countries since independence. He emphasizes the importance of thinking about bureaucratic reform in context of traditional political and social power structures.

government focused on exacting fiscal control between 1999 and 2005, formalizing budgeting and reporting processes and strengthening and centralizing cash management and procurement processes (World Bank 2003). The government also faced a major challenge to improve education and health service delivery, which was still weak following the Soviet Union's dissolution. The problems in the education sector were quite fundamental—there were too many school buildings that were poorly maintained, too many teachers, too many students enrolling but not attending school, and a complete lack of standards and reporting on school finances or performance (World Bank 2003).

Armenia decentralized schooling as a solution, turning schools (and other entities) into arms-length "non-commercial enterprises as part of a fiscal decentralization plan" in 2003 (IMF 2003). The new schools were to be more participatory, governed by school boards. This decentralization option was rationalized as a replication of models in countries like the United Kingdom, and "closely tied with international trends of education development" (Armenia NIE, undated). In its wake, however, Armenia has found the new non-commercial enterprises a major problem for fiscal reform. They receive their money as transfers and do not have to report in any structured manner, face no controls regarding allocations to important items like building maintenance and such, and fall outside of all the rationalizing, stabilizing mechanisms (like budget and civil service laws). They lack transparency and are difficult to rationalize and reform.

The basic story is that decentralization and participation (important elements of the 'government effectiveness' model in good governance work) actually created problems for Armenia when introduced with steps to effect fiscal stabilization, efficiency and transparency (also important elements of the proposed model). The situation is similar to that already mentioned in Sweden where efforts to reduce government size by creating arms-length agencies may have actually undermined some of the strengths of the bureaucracy (because employees in agencies are not subject to civil service laws and constraints and may be more open to political influence).

Studies on decentralization and public agency creation routinely identify these tensions and inconsistencies, which undermine the convey-ability of certain packages of effective government elements: Luiz de Mello (2000) finds that coordination problems associated with decentralization create a deficit bias that complicates fiscal discipline objectives ostensibly characterizing effective governments; Treisman (2000) cites evidence that decentralization can actually increase corruption and lead to decreased health and education services; Stein (1999) argues that decentralization can stimulate government size. Table 1 illustrates the tension in six African countries, where 2006/07 Public Expenditure and Financial Accountability (PEFA) indicators show performance against key criteria like budget reliability and transparency. Whereas all six governments performed well in facilitating budgetary reliability at this time (reflected in A and B scores on the aggregate budget outturn measure) they lag behind in ensuring basic transparency and risk management in regard to decentralized and arms-length entities (scoring C's and D's on this A to D scale).

Table 1. PEFA Indicators, Fiscal Discipline, Decentralization and Government Agencies

Indicator	**Uganda**	**Zambia**	**Malawi**	**Tanzania**	**Ghana**	**Mozambique.**
1. Aggregate expenditure out-turn compared to original approved budget	B	C	A	A	B	A
8. Transparency of Inter-Gov. Fiscal Relations	C	D+	C	C	C	C+
9. Oversight of aggregate fiscal risk from other public sector entities.	D	C	D+	C	C	D+
23. Availability of information on resources received by service delivery units	B	C	D	C	D	C

In all of these governments the decentralized, outsourced type entities pose possibly the greatest risk to fiscal stability—even though decentralization and outsourcing are part of the reform agenda together with fiscal discipline and consolidation. One can easily think about other problematic packages of effective government constructs that are likely to lead to conflicting results. Civil servants are meant to be politically neutral but also to lead implementation of pro-business policies; Policy must be stable but also highly responsive to changing demands in the citizenry; Government must be formalized and rule-bound but also highly responsive. A common approach to criticizing new public management involves identifying exactly these kinds of potentially conflicting elements. Competition, privatization, decentralization, innovation and empowerment are examples, and also feature in the good governance model as elements of effective government. All concepts are, however, seen to clash with each other in practice, conveying poorly in most realities. Williams (2000, 523) writes, for example, that (Brackets inserted):

> They [reform designers] want “competition,” but oppose “duplication.” As a result, the reinventor is given no useful direction for action. Should she allow government units and programs to compete with each other in order to provide the best services? Or should governmental units be rationalized to eliminate duplication? How much duplication is too much? What considerations should lead to streamlining and which to competition?

Williams argues that many new public management reform prescriptions resemble the principles of administration Herbert Simon decried as problematic proverbs sixty years ago—quotable and convenient constructs for rationalizing past behavior or justifying future decisions but defective in providing any explanations or practical advice. Simon (1947, 53) argued that, as with all proverbs, the principles of administration of his day stood well when applied alone but poorly when considered in tandem with others: “For every principle one can find an equally plausible and acceptable contradictory principle.” I believe the observation holds for recent effective government characteristics as well. Fiscally disciplined governments often provide a strong foundation for economic growth, for example. Decentralized governments can have better targeted and efficiency-enhancing service provision structures that also facilitate growth. But governments like Armenia (and many others) attempting decentralization find sub-national entities a big threat to fiscal discipline!

Observing such tensions in the principles he analyzed, Simon (1946, 53) commented: “Although the two principles of the pair will lead to exactly opposite organizational recommendations, there is nothing in the theory to indicate which one to apply.” The comment is pertinent in development especially, related to fiscal management and decentralization reforms and to other effective government characteristics. Having no real basis for identifying exactly what part of the governance proverb-set a government should attend to leads many countries to apply all of the proverbs at once. This is potentially part of the reason why many of the development community’s governance solutions end up becoming problems; most of the ideas they apply do not convey well because of natural tensions between the ideas themselves. It also potentially explains why studies linking government effectiveness to growth, poverty reduction and such are so frustrating at present; internally contradictory measures simply fail to reflect an accurate picture of effective government.

Conclusion: We need government theory before measuring effectiveness

Given these observations I argue that the development community's current picture of effective government does not provide a useful construct for thinking about what effective government is, especially in the development context. The dominant picture I see is based on governance indicators that are arguably useful in provoking dialog about key issues in development and may never have intended to shape a more theoretical model.[62] Applications of the indicators in the development community go further than dialog, however, and arguably suggest a model of government effectiveness—or structural design for countries to emulate. The model is arguably very influential, isomorphically determining what the development community sees as effective government. Meyer and Rowan (1977, 340) warn of isomorphism's dangers: "Organizations whose structures become isomorphic with the myths of the institutional environment—in contrast with those primarily structured by the demands of technical production and exchange—decrease internal coordination and control in order to maintain legitimacy."

I believe we have reason to believe that isomorphism arising from the way good governance indicators are used is especially dangerous, because of problems with the picture of government this work portrays. It lacks consistency, correctness and convey-ability. 'Model' governments scoring well on the indicators are similar only in terms of their commonly strong outcomes and developed status; the government structures influencing such success vary quite significantly and we have no understanding why and no way to identify where variation is OK and where it is not.[63] Furthermore, governments considered effective today did not look like they do now when they progressed beyond weak outcomes and facilitated development. The Swedish model actually referenced in literature does not have many features of the good governance picture (like smallness) but is rather a bigger government, welfare state model that many saw as successful for

[62] In earlier comments on this paper, David Leonard noted that complex indicators that amalgamate multiple characteristics are unavoidably messy and potentially contradictory, but could still carry weight in general discussion. I believe he is correct in this regard. The critique here is not of the indicators themselves, or of a general use of these indicators, but rather of the way many development practitioners and theoreticians reference the indicators in specifying reform agendas and measuring specific concepts like government effectiveness.

[63] This variation is a good thing, suggesting there are multiple forms of effectiveness—but it also creates problems for a dominant one-best-way prescription so often implicit in development work.

most of the twentieth century, for example (Rojas 2005).[64] Finally, elements of the good governance model do not replicate well between governments, often creating governance problems rather than solutions. It would be better to have ideas about the factors that influence what works, when and how, instead of just a list of what should work.

I believe the main reason for these weaknesses is the lack of theoretical foundation to the indicators, where a theory would be characterized by clear thinking about what effectiveness might mean and propositions that explain observed effectiveness in different settings and across time. The discussion I provide on the theoretical framework of the indicators is limited because of the limited references to theory in the good governance literature. Where theoretical references are made in the good governance literature they are not consistent, referencing modernist Weberian models at some junctures, post modern new public management at others. The only consistent citation is to North's new institutionalism and the argument that institutions matter and that different institutional structures in governments will yield different results. This is simply not enough to call a theory of effective government, especially from an organizational perspective.[65]

A theory of effective government must have the kind of detail Simon called for in 1947 and be able to explain effectiveness. As Mintzberg states (1979, 587): "Explanation is, of course, the purpose of research." Some might suggest that a theory is not needed to explain the basic issues at hand: How do governments identify what they need to do at any given time, and do it well. However, these questions are the basis of a long theoretical strand in the literature on organizations. This literature shows that effectiveness criteria change over time; that organizations choose different criteria at different times—akin to different governments pursuing different policy outcomes at different times; that many organizations manage to identify these criteria effectively and others do not; and that systems need to match challenges for effectiveness, but often do not. Understanding how challenges are identified and addressed is more complex than

[64] Rather than prescribing today's model, it would be really valuable for development experts to understand the developmental evolution in a country like Sweden.
[65] One could defend the indicators as never actually pretending to have a theoretical foundation—which calls into question the way academics and practitioners use the variables, imputing a theoretical significance to them.

saying that this is the basis of effectiveness; understanding and explaining requires theory that currently does not exist in the development domain.

There is already a lot of work that could form the foundation of research targeted at these questions. Musgravian economics could suggest ideas about what more effective governments might do (providing basic goods that markets cannot provide) and work from strands as varied as public finance and sociology could provide ideas about why different governments might identify these challenges differently: because of different political decision-making structures and social logics, for example (Hallerberg et al. 2007; Woolsey-Biggart and Guillen 1999). Studies in the public administration tradition and contingency theorists in organizational literature suggest ways of thinking about the different processes, institutions and approaches different governments might take to address the problems they face. The challenge is to draw these ideas together into stories of what effectiveness might be (in terms of both outcomes and processes) and to see how these stories explain some of the questions raised here: How do the different contexts of the so-called effective governments explain why these look different in key areas, and how should these differences contextualize our perspectives on effectiveness? How should stage of development influence our picture of government effectiveness? How does context determine which aspects of the effectiveness model might convey? (Referencing Simon, “Where is the theory to indicate which proverb to apply?”)

One could imagine this work progressing towards some prospective effectiveness measures. Building on the idea that effective governments do the right things well, these measures could center on the provision of key services in the development domain, for example (personal protection, property rights, health and education, and such, that may be strongly correlated with improving social welfare). Government effectiveness could be judged according to how well the key outcomes are provided, compared with others and controlling for key contextual factors like income.[66] Using a sports metaphor, effective governments would be those that “box above their contextual weight” in providing these

[66] Roger Hay provided two ideas behind this comment. The first centers on the idea that effectiveness is about governments doing the right things, which we may be able to boil down to key services that improve well being. The second is that effectiveness in providing these services should be comparative, but contextually controlled. In regard to health care, for example, the argument is that while health statistics are positively correlated with income, some governments manage their systems so well that they facilitate statistics better than their income levels suggest.

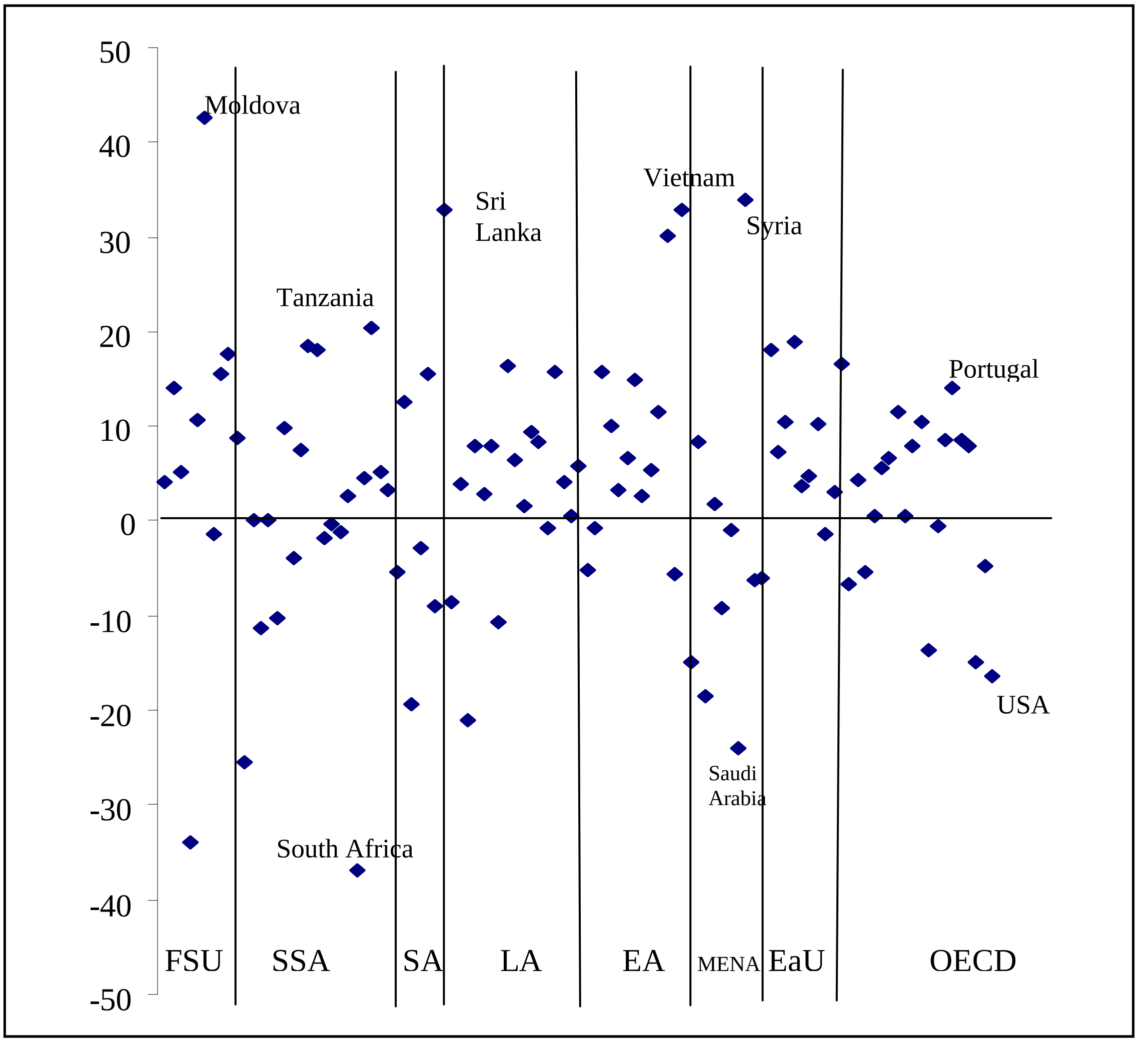
services (performing better than governments facing similar contextual challenges like income levels). Figure 7 illustrates what these contextualized indicators might show for a particular outcome mentioned in this paper—infant mortality rates.[67] The vertical axis shows an effectiveness measure based on the difference between the percentile position a country recorded for infant mortality rates and per capita income levels in 2005 (the approach only controls for income, but should address other contextual variables as well).[68]

Governments in countries scoring around zero seem to be 'boxing' at their income weight (ensuring services are provided in line with the comparative income position of the country). Governments scoring above zero are effectively boxing above their income weight (ensuring performance above that expected). Governments scoring below zero are boxing below their income weight (actually failing to ensure service provision at a contextually appropriate level). The figure is organized in the same way as Figure 1 allowing one to see the most basic differences—(1) context, and particularly development context (reflected here in income measures) influence our picture of effectiveness and must be controlled for; (2) Governments can perform above their income context even in under-developed settings, and below their context even in developed settings. Various developing country governments show up as effective in the provision of health services (seemingly performing better than their income context would indicate)—Moldova, Tanzania and Sri Lanka, for example. Some middle income and developed country governments perform below contextual expectation, including South Africa and the USA.

[67] Robert Lawrence (2008) adopts a similar approach to looking at governance in trade regimes in the Middle East. He adjusts various governance and business environment measures for income levels, showing how this changes the picture quite significantly.

[68]The approach here is meant for demonstration. A better approach could be to conduct regression analyses of contextual influences on the outcome in question, and use residuals to show the marginal influence of government on these outcomes. The calculation used here, however, simply shows the difference between the percentile position of a given country for infant mortality and the percentile position for real PPP income per capita. Data comes from the World Bank World Development Indicators, for 2005. The USA, with an infant mortality rate of 6 per 1,000 in 2005, sat at the 83rd percentile in a sample of 165 countries. The USA sat at the 99th percentile for income per capita. It thus scores -16 on the proposed effectiveness measure. Sweden is at the 99th percentile for infant mortality performance (3 per 1,000) and is at the 91st percentile for income per capita. Sweden thus scores +8 on the proposed measure.

Figure 7. Contextually Adjusted Effectiveness in Infant Mortality Outcomes



This approach focuses on outcomes as the basis of assessing effectiveness but proposes that current governments are not responsible for outcomes in an absolute sense, only performance at the margin.[69] But varying models of 'how' governments choose and address their challenges should be accepted in the approach, which implicitly emphasizes the importance of political and managerial decisions to effectiveness. The approach does not promote adopting one-best-way models of what governments should do and how but rather that governments should develop mechanisms to choose what to do and to choose the type of structures and processes appropriate to ensuring effectiveness in

[69] Full variation in outcomes will reflect both historical government effectiveness and other contextual influences.

implementation. Governments 'boxing' at or above their 'income' weight are assumed to enjoy this characteristic while those boxing below their weights are assumed not to: They either have not chosen to address this issue or their choices for implementation are not facilitating performance.

The lack of theory underlying current indicators, discussed in this article, is partly the result of a general rush to measure effectiveness without a theory of effectiveness. I argue that this has left indicators prompting more questions about effective government than they answer, and I think a new approach like that above would also raise important questions. I would thus suggest that we not focus on developing new indicators immediately but rather on building an understanding of theory to underlie such, so that if we identify certain services as key and certain contextual factors as influential, we understand why, and also so that we have some ability to explain how effective governments adjust their challenge focus and choose the processes to meet challenges. It is unlikely that such theory will be neat and tidy like the current good governance literature appears to be.[70] Building theory on organizations and organizational effectiveness is not popular because it requires getting "involved in actual organizations" and calls researchers "to muck about with messy data and relationships" (Kaplan 1984, 415). It will also probably be messy from a moral perspective, raising questions about the balance between the influence of normative ideals and positive evidence of what we observe effectiveness to be is. Messy, morally demanding work, focused on theory development, is however vital if our goal is more focused academic work, accurate donor engagement and contextual reform design in developing countries.

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[70] As stated, this is because the current literature avoids theory; even current debates are almost exclusively about data manipulation (Kaufmann et al. 1999; Kurtz and Schrank 2007).

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