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Democratic Governance and Sectoral Policy Reform: Tracing Linkages and Exploring Synergies

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Summary. — Effective democratic governance influences how societies and economies progress and prosper. For many people in developing and post-socialist countries, the action and impact of democratic governance happens through sectoral reforms. Efforts to improve democratic governance can have strong impacts on sectoral reforms, how these are implemented, who participates in them at various stages, and what outcomes are achieved. Conversely, sectoral policy reforms and program interventions can serve to promote and enhance democratic governance. This article discusses these linkages, and provides selected examples of the synergies among them. It raises the political dimension of democratic governance, and offers several suggestions regarding where, when, and how donor agencies can intervene, both to promote democratic governance and to advance sectoral policy reforms. © 2000 Elsevier Science Ltd. All rights reserved.

Key words — democratization, governance, civil society, policy, reform, donors

1. INTRODUCTION

This article explores the linkages between democratic governance and sectoral reforms. It asks two basic questions: how does democratic governance affect sectoral development, and how do sectoral reforms influence democratization of governance? The analysis holds implications both for those whose interests lie primarily with democracy and governance, and those with a specific sectoral focus. For the former, it shows that while democratic governance can be treated conceptually as a discrete construct, in practice much of the "action" of democratic governance happens in a sectoral context. Thus, there can be significant pay-offs for the promotion of democratic governance by concentrating on the governance dimensions of sectoral reform programs. For the latter, the analysis reveals that the efficiency and effectiveness of sectoral reforms are enhanced by incorporating explicit attention to democratic governance. This potentiality emerges both in terms of the initial conditions that can constrain reform design; and of the availability of social capital, partnerships, and so on that can contribute to reform implementation.

This examination of the mutually reinforcing linkages between democratic governance and sectoral policy reform provides selected sectoral illustrations of these linkages, with an emphasis on successful synergies. This positive focus is not intended to idealize these synergies, nor to downplay or ignore the difficulties that exist on both sides of the equation; indeed, embedded political, ethnic, and social factors can significantly constrain the impacts of donor-supported efforts either to strengthen democratic forms of governance or to promote sectoral reforms. Rather, the emphasis in the discussion below is to provide a sense of what positive benefits may be derived from considering the linkages. The concluding sections of the article discuss the prospects for capitalizing on these synergies, emphasizing the impacts of political factors, and offer suggestions on ways that international donors can exploit the complementarities between democratic governance and sectoral policy and programs.

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2. ELEMENTS OF DEMOCRATIC GOVERNANCE

The concept of democratic governance combines features of a political regime in which citizens hold the right to govern themselves (democracy) with structures and mechanisms that are used to manage public affairs according to accepted rules and procedures (governance). Democratic regimes employ a set of procedures that assures meaningful competition among individuals and groups for political power; broad participation in the choice of leaders and policies, and in the allocation of societal resources; and a high degree of civil, political, and economic liberties. Looking at governance in the context of democracy concentrates attention upon how citizens exercise influence upon, and oversight of, the state; how public leaders and agencies operate responsibly and responsively to carry out their mandates; and how social relations among different classes of society are managed so as to assure inclusion, fairness, and equity (see Charlick, 1992; Coston, 1995; Hyden, 1992). In a very summary fashion, democratic governance can be characterized in terms of the following operational features. It exhibits high levels of transparency and accountability; that is, information is made available and widely shared, decision-making processes are open, and public officials are held to account for the use of resources and the achievement of outcomes. Democratic governance provides for increased citizen participation, particularly of marginalized groups, and for devolution of meaningful authority to local bodies that are accessible to citizens. Its structures and procedures permit the incorporation of the views of a range of societal groups in the formulation of policies (policy pluralism), and the equitable delivery of public services; they also redefine the role for the state (less direct service provision, creation and maintenance of a "level playing field" for economic activity, and empowerment of nonstate actors). Finally, democratic governance recognizes and respects human rights and the rule of law.[1]

3. THE INFLUENCE OF DEMOCRATIC GOVERNANCE ON SECTORAL POLICY REFORMS

Experience and the literature indicate that there are two main ways that improved democratic governance can influence sectoral reforms. First, and most comprehensively, democratic governance can create a positive enabling environment for reforms. Second, it can increase the efficiency and effectiveness of reform outcomes and results.

(a) *Creating a positive enabling environment*

The linkage between various aspects of governance and socioeconomic growth has been widely explored, and in fact constitutes the rationale for World Bank and International Monetary Fund prescriptions for development. Thinking has progressed significantly since the relatively crude, in retrospect, "Reaganite/Thatcherite" perspectives of the early 1980s, which held that the best enabling environment for growth contains the least government (the less-is-more argument). A growing body of research and experience has demonstrated that democratic governance, which does not necessarily imply a smaller state but a more effective one, provides the most promising enabling environment for broad-based economic growth (e.g., Haggard & Webb, 1994; Root, 1996; Rothchild, 1994; Knack & Keefer, 1995). The unifying thread running through much of the current analysis is a focus on institutional rules and rule-making, and their role in creating incentives that support democratic governance and socioeconomic growth (e.g., Clague, 1997; Walker, 1995).[2]

In terms of policy reform interventions, the experience of a variety of structural and sectoral adjustment policy reform programs over the past decade or so has contributed to the recognition of the impact of institutional and governance factors on implementation success (see, for example, Gordon, 1996; Jayarajah & Branson, 1995). As Frischtak confirms,

> concern is shifting from the substance of policies . . . to the policy environment itself. Institution building and design; the nature and transparency of decision making procedures; interest representation and conflict resolution mechanisms; and limits of authority and leadership accountability . . . are frequently identified as governance issues and fill the expanding agenda of what can be called the political economy of structural adjustment (Frischtak, 1994, p. 1).[3]

Similarly, these governance issues can influence the coherence of individual sectoral reforms. For example, Maclure (1994) points out, regarding educational reform in Burkina