

A GUIDEBOOK for Understanding GOVERNANCE

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I. INTRODUCTION

The objective of this Guidebook is two-fold: (1) to achieve a comprehensive understanding of governance and (2) to promote a discipline, if not a culture, of continuously monitoring the state of governance.

Governance is a commonly used term but unfortunately, grossly misunderstood. This Guidebook intends to facilitate a comprehensive understanding of governance. The underlying message is that we each have duties and responsibilities pertaining to governance. Moreover, achieving good governance goes beyond merely dispensing of these duties and responsibilities. There is the matter of efficiency, effectiveness, vigilance in monitoring the results of our efforts and the willingness to adapt changes, as necessary.

This Guidebook compliments the study on “A Monitoring and Evaluation Framework for Tracking Governance Reforms”. In particular, we follow the background literature that has been reviewed and the conceptual framework that was developed as part of the study. Some technical concepts on evaluation design and operations, and descriptive statistics are discussed as well. There is also a separate section that enjoins the reader/user to apply these concepts and techniques.

II. WHAT IS GOVERNANCE?

1. What it is not

Earlier, we have said that governance is a grossly misunderstood term. It may be wise to first enumerate the common misconceptions about governance and second, to correct them.

The following is taken from Kaufmann (2005) and he labels these misconceptions as “Myths on Governance.”

- a. *Governance and anticorruption are one and the same.*

Corruption is defined narrowly as the "abuse of public office for private gain." In fact, our tendency to blame corruption as the cause of our sorry state has become counter-productive. Not a few individuals and business justify their practice of tax avoidance and evasion by saying that it's their way of discouraging corruption.

- b. *Governance and corruption cannot be measured.*

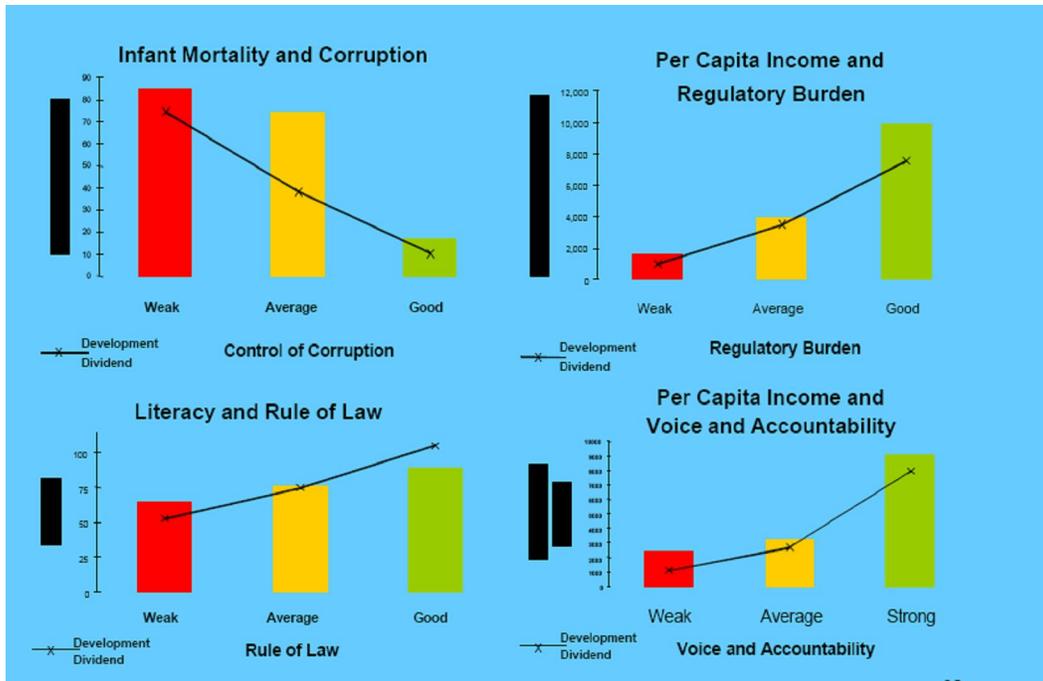
The UNDP lists more than sixty different sources of governance ratings and a number of these monitor corruption specifically.

- c. *The importance of governance and anti-corruption is overrated.*

Perception of bad governance and corruption begins the vicious cycle whereby it discourages investments, thereby limiting additional employment, leading to lower per capita income growth (and perhaps levels). This will strain and even reduce available fiscal resources thus forcing a rationing of public goods and services – an environment that breeds the corruptor and the “corruptee.” The corruption will reinforce the earlier perception of bad governance and the situation turns from bad to worse. Unfortunately, in the process, the lower per capita income growth and levels, and the ineffective rationing of public goods and

services will result in undesirable human development outcomes – poor health, poor education, low standard of living.

Kaufmann (2002) also finds a positive relationship between (lower) infant mortality and control of corruption; per capita income and regulatory burden; literacy and rule of law; and per capita income and voice and accountability. His findings are illustrated in the following charts:



d. *Governance is a luxury that only rich countries can afford.*

We do find some not-so-rich countries that rate favorably in good governance together with the rich countries. Some of these are Chile, Puerto Rico, Malaysia and some relatively unknown countries like Liechtenstein, Anguilla, Andorra, etc.

e. *It takes generations for governance to improve.*

Corollary to this is the belief that it's our value system that needs to be modified. Consider the following paradoxes:

- "Pinoy's most preferred labor force abroad, but productivity in RP low" (PDI, December 11, 2006)

- Unruly Manila driving vs. disciplined SBMA driving, for the same driver
- Improved yield of rice in Bangladesh has enabled it to export rice to the rest of the world, thanks to Filipino agriculturists.

There are many other similar stories. The lesson is clear – individual behavior, and for that matter, achievements, depend on external conditions, rules and incentives. And the gestation for change can be as short as 2 hours (the time it takes to get to SBMA from Manila). If it were a matter of values, surely it will require much longer time than that.

f. *Donors can "ringfence" projects in highly corrupt countries and sectors.*

Increasingly, donors realize this to be incorrect. Note that the purpose of the donor-assisted projects is to catalyze development and jumpstart investments, however, perception of bad governance (and especially if found true) will render these projects ineffective.

g. *Fight corruption by fighting corruption.*

In the Philippines, we even go to the extent of creating government agencies to lead the “fight against corruption.” The problem then becomes fighting corruption among the fighters of corruption, or more clearly, monitoring the monitor.

h. *The culprit is the public sector in developing countries.*

We have always mistaken good governance to mean good government. We even created a government body bearing this name. With respect to corruption, however, we have come to realize that there are at least three parties involved – the corruptor, the corruptee and the one who looks away. As we will expound in the next part, the translation between good government and good governance involves even more processes and more players.

i. *There is little countries can do to improve governance.*

We don't even need to go beyond our shores to disprove this. Galing Pook awardees is the best showcase. The challenge is to replicate not just the good practices, but more importantly, the drive and discipline to effect optimal developmental outcomes.

j. *There is not much the IFIs can do.*

That many IFIs have ventured into the evaluation of governance indicators is testament enough that they themselves realize this statement to be false. This realization should galvanize us into improving our quality of governance, lest we lose our one big source of investible funds.

For Discussion:

- What is your own definition of governance?
- Does it fall under any of the myths of governance listed above?

2. What it is

Having debunked our previous misconceptions about governance, let us now proceed to understand what it really is. First, we begin by looking at how others have defined governance. Below is a partial list:

Asian Development Bank (ADB)

Governance has to do with the institutional environment in which citizens interact among themselves and with government agencies and officials. The capacity of this institutional environment is important for development because it helps determine the impact achieved by the economic policies adopted by the government. This capacity, then, and the governance quality it reflects, is a vital concern for all governments.

Commission on Global Governance (CGG)

Governance is the sum of the many ways individuals and institutions, public and private, manage their common affairs. It is a continuing process through which conflicting or diverse interests may be accommodated and cooperative action may be taken. It includes formal instructions and regimes empowered to enforce compliance, as well as informal arrangements that people and institutions either have agreed to or perceive to be in their interest.

European Bank for Reconstruction and Development (EBRD)

Governance should be based on support for markets and private enterprise rather than plans and commands. A key to explaining different assessments of governance across the region lies in the extent to which the state is subject to “capture” – or undue influence – by vested interests.

European Union (EU)

In the context of a political and institutional environment that upholds human rights, democratic principles, and the rule of law, good governance is the transparent and accountable management of human, natural, economic and financial resources for equitable and sustainable development. It entails clear decisionmaking procedures at the level of public authorities, transparent and accountable institutions, the primacy of law in managing and distributing resources, and capacity building for elaborating and implementing measures that aim to prevent and combat corruption.

Inter-American Development Bank (IADB)

The Bank has sought to reinforce the connection between good governance and political stability, which is in turn dependent on domestic socioeconomic conditions, the strength of democratic institutions and citizen input into the public decisionmaking process. Stability also requires an effective, reliable legal system, efficient management of public funds, government accountability and social equity.

OECD

Governance denotes the use of political authority and exercise of control in a society in relation to the management of its resources for social and economic development. This broad definition encompasses the role of public authorities in establishing the environment in which economic operators function and in determining the distribution of benefits as well as the relationship between the ruler and the ruled.

UNDP

Governance is the exercise of economic, political and administrative authority to manage a country’s affairs at all levels. It comprises mechanisms, processes and institutions, through which citizens and groups articulate their interests, exercise their legal rights, meet their legal obligations and mediate their differences.

World Bank, Kaufmann (WB)

Governance is the process and institutions by which authority in a country is exercised:

- the process by which governments are selected, held accountable, monitored and replaced;

- the capacity of governments to manage resources efficiently, and to formulate, implement, and enforce sound policies and regulations; and
- the respect for the institutions that govern economic and social interactions among them.

Rhodes (1997) as cited in Kjarer (2004)

Governance refers to self-organizing, interorganizational networks characterized by interdependence, resource-exchange, rules of the game, and significant autonomy from the state.

Rosenau (1997) as cited in Kjarer (2004)

Global governance is conceived to include systems of rule at all levels of human activity – from the family to the international organization – in which the pursuit of goals through the exercise of control has transnational repercussions.

Hyden (1999) as cited in Kjarer (2004)

Governance is the stewardship of formal and informal political rules of the game. Governance refers to those measures that involve setting the rules for the exercise of power and settling conflicts over such rules.

Answer the following:

1. What terms are frequently cited in the above definitions?
2. Which of the above definitions emphasize government role and which ones do not?
3. Can you identify the static and dynamic components in governance?
4. What is the objective of governance?

Answers:

1. rules, institutions, authority, law, conditions, management, government (To the user: Can you name the others?)
- 2.

Definitions that		
Emphasize role of government	Mention role of government but without the emphasis	Do not mention government at all
ADB IADB OECD WB	CGG UNDP Hyden	EBRD EU Rhodes Rosenau

3 and 4. Content analyses of the first four definitions are given below. Try doing the next ones.

Static Component	Dynamic Component	Objective
<p><i>Asian Development Bank (ADB)</i> institutional environment</p> <p>capacity of this institutional environment</p>	<p>citizens interact among themselves and with government agencies and officials.</p>	<p>Effectiveness of impact achieved by the economic policies adopted by the government.</p>
<p><i>Commission on Global Governance (CGG)</i> Governance is the sum of the many ways</p> <p>formal instructions and regimes informal arrangements</p>	<p>individuals and institutions, public and private, manage their common affairs.</p> <p>conflicting or diverse interests may be accommodated and cooperative action may be taken</p>	<p>To realize a state of affairs that people and institutions either have agreed to or perceive to be in their interest.</p>
<p><i>European Bank for Reconstruction and Development (EBRD)</i></p>		<p>Support for markets and private enterprise rather than plans and commands</p>
<p><i>European Union (EU)</i></p> <p>political and institutional environment</p> <p>clear decisionmaking procedures at the level of public authorities, transparent and accountable institutions,</p> <p>the primacy of law</p> <p>capacity building</p>	<p>the transparent and accountable management of human, natural, economic and financial resources</p> <p>in managing and distributing resources,</p> <p>for elaborating and implementing measures that</p>	<p>To uphold human rights, democratic principles, and the rule of law for equitable and sustainable development.</p> <p>To prevent and combat corruption.</p>

Going back to the origins of the term, we note that **governance** is taken from the Latin word κυβερνάω kubernáo, and literally means *to steer, pilotage*. But as we have seen above, its definition has been varied and evolving.

The first usage implies rule and management, where the latter includes re-generation. (excerpt from Genesis 1:28 KJV) “Be fruitful, and multiply, and replenish the earth, and subdue it: and have dominion...” Man and woman were meant to help each other in

managing the earth. In full context, we say that governance amounts to stewardship – it is authority bestowed to manage the earth and all that is in it, both living and non-living.

There are many ways in which authority is bestowed. What they all amount to is a contest. In the olden days, it was a contest of seniority – who is the firstborn? It soon became a contest of strength or physical might. This evolved to include armies. At present, we still see evidences of this type of contest. In democratic societies, the contest is about popular votes. That is, each voter makes a choice of who will be bestowed authority and the candidate with the most number of votes becomes the leader.

The Philippines subscribe to this democratic process and we are particularly proud of the fact that we were able to unseat a dictator by sheer “people power.” Over time, the climate for political participation has changed. Beginning with the Social Reform Agenda, government has engaged civil society organizations (CSOs) in charting our development path. With respect to poverty reduction, this co-operative arrangement has been formalized by virtue of RA 8425 that constituted the National Anti-Poverty Commission (NAPC). Local governments also involve CSOs in their local development councils and other special bodies. In the legislative branch, CSOs find representation through their party list representatives.

With consideration for the prominence of civil society organizations in the Philippines, we suggest the following definition of governance:

Governance pertains to the management of all resources available to society including the formation and implementation of rules and incentives that govern interrelationships in order to attain developmental goals.

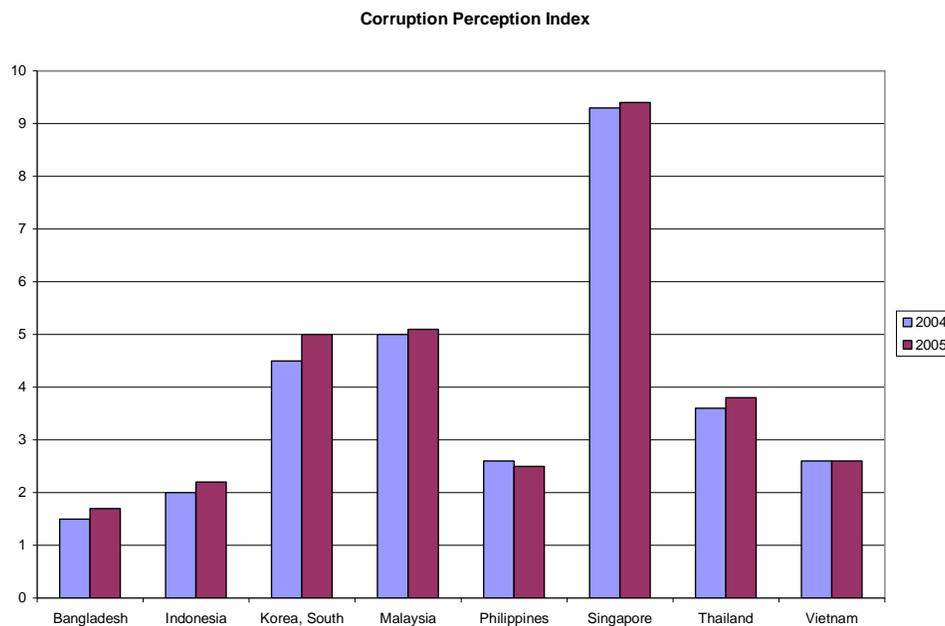
3. Some Indicators of Good Governance

Corruption Perception Index

Recall that we have already clarified that good governance is not just about fighting corruption. Still, this index, compiled by Transparency International, is perhaps the most widely publicized data on corruption. The index is taken from numerous

sources, mostly perception data obtained from businesspeople and country analysts, both resident and non-resident. It is meant to provide data on “corruption on international business transactions.”

The chart below shows the corruption perception index of eight countries – Bangladesh, Indonesia, South Korea, Malaysia, Philippines, Singapore, Thailand and Vietnam for the years 2004 and 2005. The value 5 appears to be the level that separates the “clean” from the “corrupt.” Two points are worth noting. First, the Philippines is considered as among the “corrupt” countries, ranking 117th out of 158 countries in 2005. Second, the Philippines rating turned from worse to “a lot worse” between 2004 and 2005.



Governance Matters by World Bank

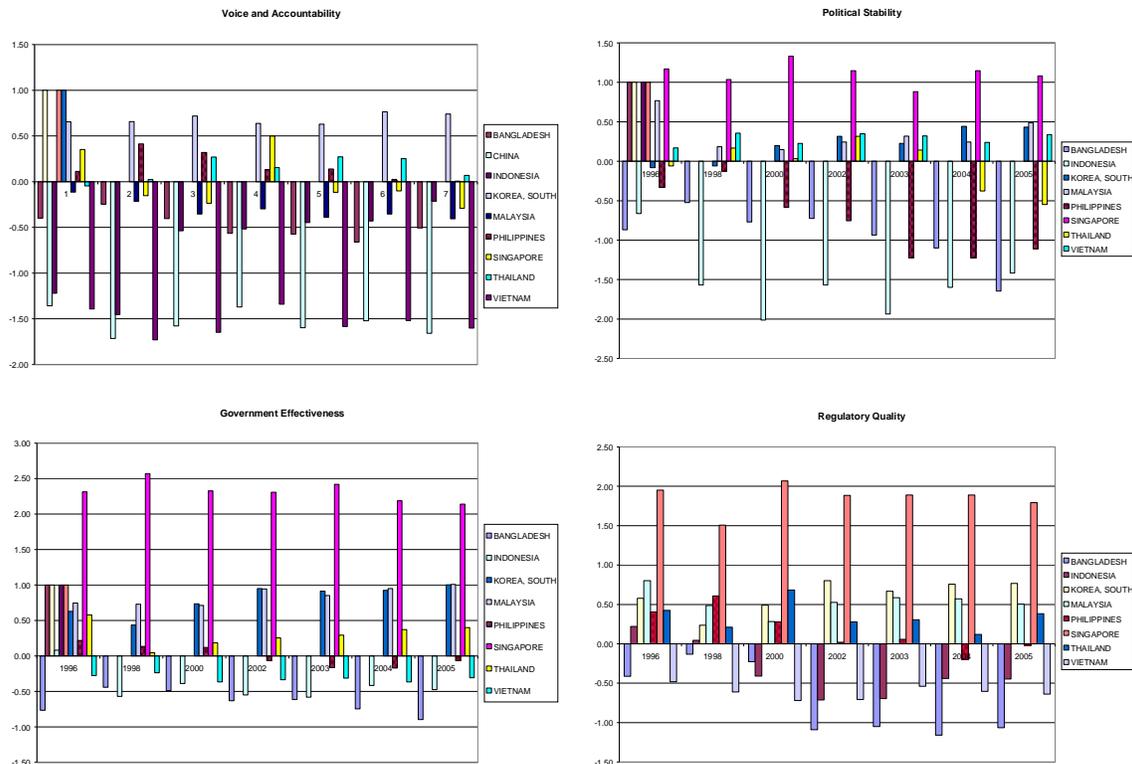
The WB follows the governance definition of Kauffmann:

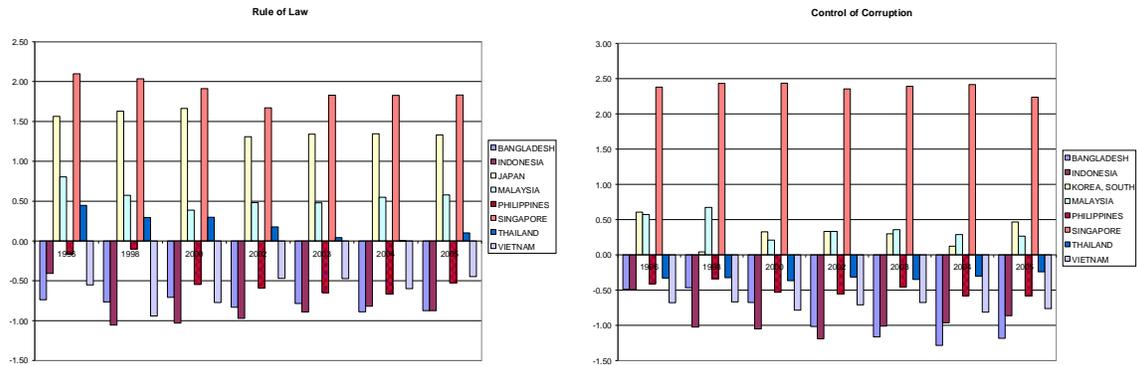
Governance is the process and institutions by which authority in a country is exercised:

- the process by which governments are selected, held accountable, monitored and replaced;
- the capacity of governments to manage resources efficiently, and to formulate, implement, and enforce sound policies and regulations; and
- the respect for the institutions that govern economic and social interactions among them.

There are six dimensions of governance being rated: (1) voice and accountability, (2) political stability and lack of violence and terror, (3) quality regulatory framework, (4) government effectiveness, (5) control of corruption, and (6) rule of law.

WB uses 31 indicators drawn from 13 different sources. (The table of WB references is reproduced in Annex 1). Some of these sources obtain data from a survey of businesspeople and/or residents, while others (more than half) obtain the data from a poll of experts. The next six figures plot the scores of nine countries, including the Philippines, for each of the six dimensions of governance for the years 1996, 1998, 2000, 2002, 2003-2005 (the years when data is available). In all these, we observe the low ratings of the Philippines and that by 2005, it scored below average in all dimensions. We also need to state that the Philippines has consistently scored below average on the dimensions – political stability, rule of law and control of corruption.





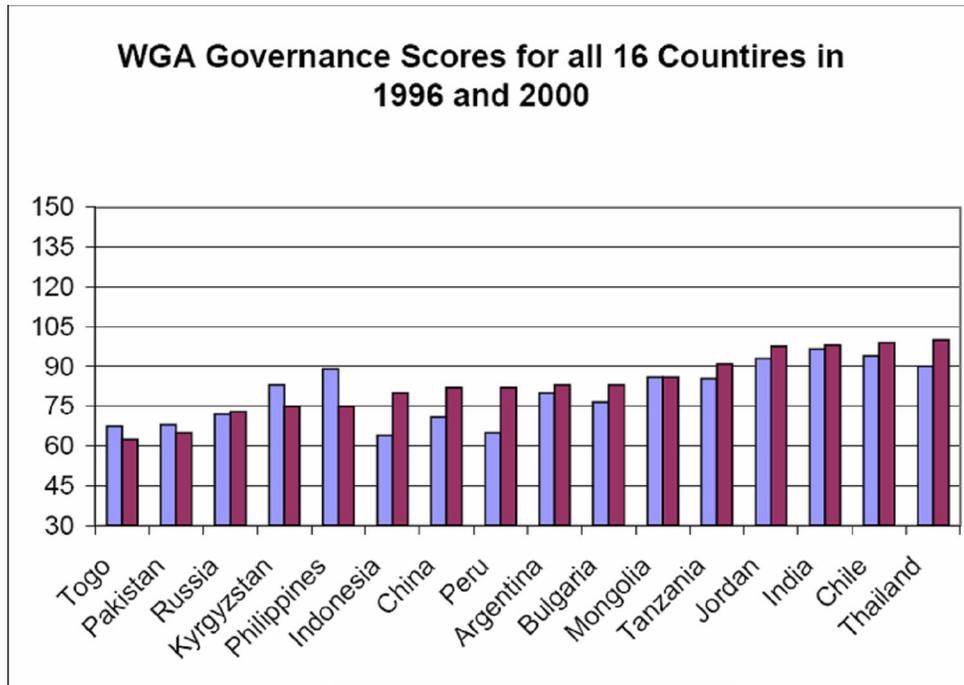
World Governance Assessment

The United Nations University piloted the World Governance Assessment in 2000 with support from UNDP. Respondents, or to be more exact, experts on governance from state, civil society and private sector, were asked to answer a structured questionnaire pertaining to 2000 and then to 1996. The number of respondents in each country varied between 33 to 41 persons.

The assessment looks at how the principles of good governance are applied in each of the six “arenas”. The principles are: participation, fairness, decency, accountability, transparency and efficiency. The six arenas are:

1. Civil society – where citizens raise and become aware of political issues
2. Political society – where interests are aggregated
3. Government – executive stewardship of the system, as a whole
4. Bureaucracy – policy implementation
5. Economic society – refers to state-market relations
6. Judiciary – where disputes are settled

Below is a chart that shows the aggregate scores for all 16 countries (reproduced from Court, Hyden and Mease 2002).



The Philippines was classified as among the “low governance countries” owing to its low scores in 2000. It also exhibited the same trend as with other “low governance countries” which had lower ratings in 2000 than in 1996. But before we draw any conclusion, we need to consider the caveat mentioned by Court, et. al. (2002) about the Philippine rating that may have been influenced by the political scandal at the time. We recall that this scandal culminated in the ouster of President Estrada by “people power.” In fact, this caveat provides the basis for the warning by Court, et. al. (2002) about the subjectivity of the ratings to high-profile events, especially political scandals. This warning is likewise extended by Kauffmann, et. al. (1999).

Public Integrity Index

To be fair, there are ratings that show the Philippines to be rather fair in certain aspects of governance. Global Integrity computes for what it calls the “public integrity index” that essentially captures the “the access that citizens and businesses have to a country's government, their ability to monitor its behavior, and their ability to seek redress and advocate for better governance.” This ‘access and ability’ to exact accountability is assessed from six angles (called categories):

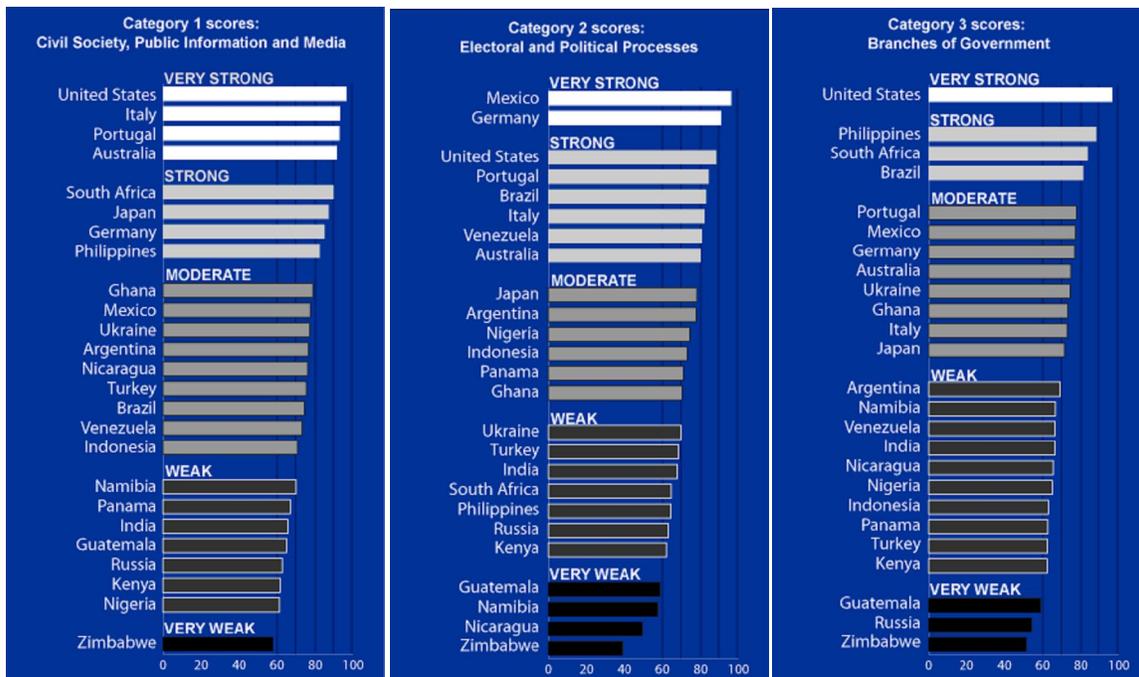
1. civil society, public information and media

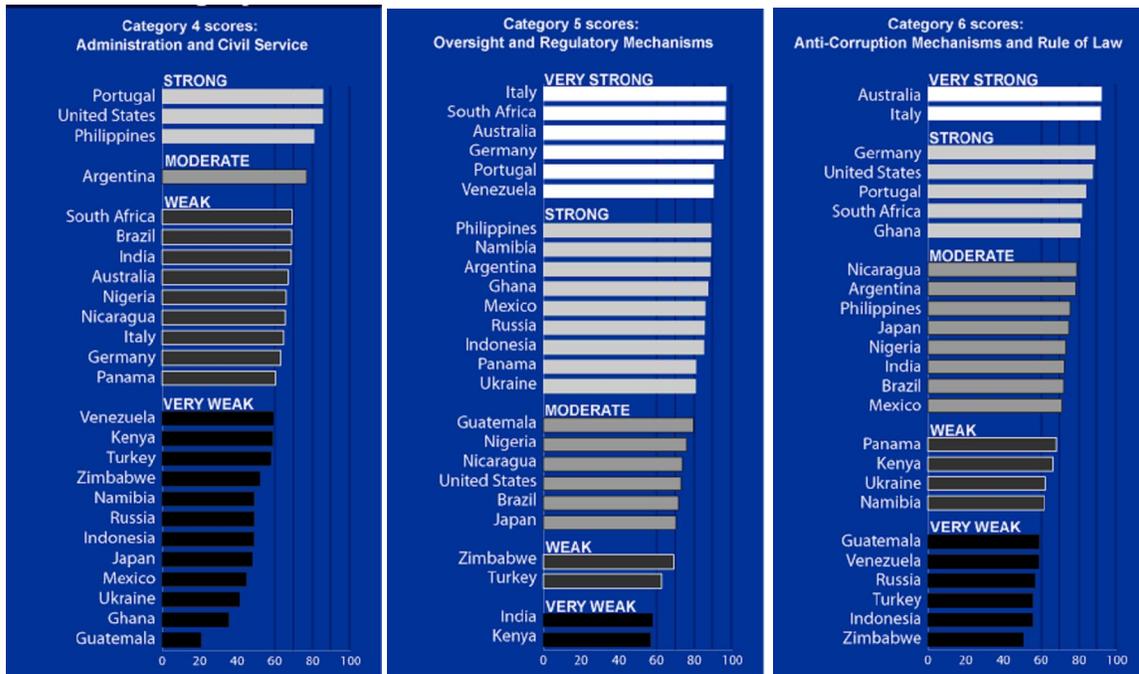
2. electoral and political processes
3. branches of government
4. administration and civil service
5. oversight and regulatory mechanisms
6. anti-corruption mechanisms and rule of law

Overall, the Philippines' public integrity index is moderate, a rating we share with Argentina, Mexico, Venezuela, Ghana and even Japan. Looking closely, we note that we were given a rating of "strong" in categories 1, 3 and 4. What pulled our rating down is the "weak" assessment of our Category 2 – electoral and political processes. This category has three sub-categories that "focus on: 1) participation of citizens in the political process through national elections, including the right to vote freely and fairly; 2) the existence and effectiveness of the election-monitoring agency; and 3) the existence and effectiveness of regulations governing political party finances, including citizen access to the financial records of political parties."

Following are the bar charts that show the comparative ratings in all six categories.

(Reproduced from www.globalintegrity.org)





Social Weather Station

The Social Weather Station (SWS) has been regularly collecting data in the Philippines on self-rated poverty and hunger, quality of life, optimism in the economy, and satisfaction with the President. It also measures Filipinos' opinions on public issues, including political ones.

Pulse Asia

Pulse Asia is another research outfit with a mission similar to SWS. Its banner project is called Ulat ng Bayan which monitors Filipino's socio-economic and political perceptions on the most critical national concerns like self-rated quality of life, the state of the national economy, political governance, public safety, poverty and other national security issues.

Both SWS and Pulse Asia disseminate their results to as wide an audience as possible. Because of this, government has been galvanized into reacting to the results with concrete programs of action. For instance, the rice ration project was

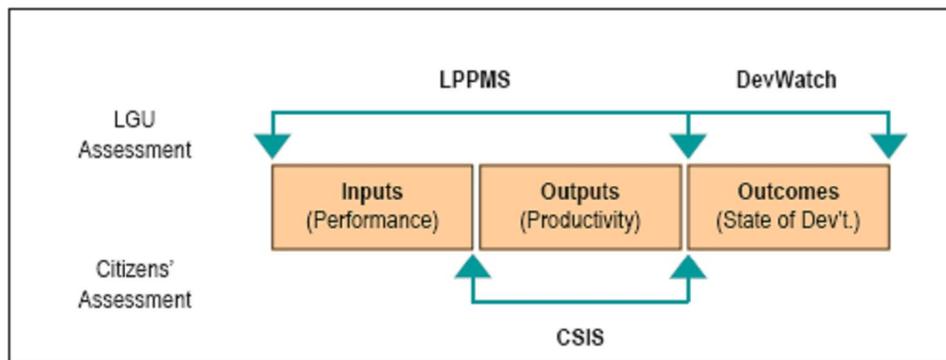
implemented in response to the controversial SWS findings on the incidence of the hungry.

Business Groups

Some private business groups are also active in monitoring governance in government. Makati Business Club conducts regular surveys among its members on their opinion and confidence levels in economic, corporate, and government performance. In addition, it has instituted Congress Watch that monitors the performance of congressmen – their attendance in sessions, their votes concerning critical bills, etc. The Wallace Business Forum is another popular business group that conducts regular polls to forecast investment climate in the Philippines.

Local Government Performance Monitoring System

The Local Government Performance Monitoring System (LGPMS) is a “self-assessment, management and development support tool.” It integrates the Local Productivity and Performance Measurement System and the Local Development Watch. In the near future, even the Citizens’ Satisfaction Index will be considered as well. The following locates these three monitoring systems in the input → outcome continuum.



Ref: DILG (2005)

The system is specifically designed for LGUs and assesses their performance in 5 “performance areas” and 17 “service areas. If we go by the labels of the parameters being evaluated, then we note that governance, as a performance area, has been taken to correspond to three “service areas” - local legislation, transparency and participation.

4. Understanding the Definition of Governance

In order to fully understand governance, we need to understand each and every underscored term in the above definition.

Resources. In the most basic forms, these are:

- 1- people
- 2- land

Each and every person can be described in many different ways. A person can be male or female; infant, toddler, pre-teens, teen-ager, young adult, adult or elderly; son, daughter, parent or grandparent; an original settler in Manila or a migrant from the Visayas; a Catholic or Muslim or Evangelical; in the labor force or not in the labor force; unemployed or employed; working in the formal or informal sector; working in the private or government sector; blue collar or white collar worker; rank and file or manager or owner; etc. We can go on and on.

We use the word “land” to refer to natural resources, whether renewable and non-renewable. We may also consider time and space dimensions of these resources. Now, land may be used as an input in agricultural production; a space on which to build a house, a commercial building or a park; it may be a burial ground; it may be a beautiful scenery; it may be a cultural heritage site.

Interrelationships. “Resources” relate between and among each other. We have people relating with land, people relating with people, etc.

The roles that the resources play in a relationship give character to the affair.

We consider three broad types of affairs:

1. Economic affairs – In this relationship, people take on their economic roles like being in the labor force or not in the labor force; unemployed or employed; working in the formal or informal sector; working in the private or government sector; blue collar or white collar worker; rank and file or manager or owner;

etc. Meanwhile, land is considered for its economic value – food, raw materials for clothing, shelter and other goods

2. Socio-cultural affairs – In this relationship, people take on their social roles - male or female; infant, toddler, pre-teens, teen-ager, young adult, adult or elderly; son, daughter, parent or grandparent; an original settler in Manila or a migrant from the Visayas; a Catholic or Muslim or Evangelical, etc. Land, meanwhile, is considered for its social and cultural roles - ancestral lands, upland culture, territorial delineation of lands that also reflect cultural identities, etc.
3. Political affairs – In this relationship, people take on the more collective identity of being a Filipino citizen. Still, there is a categorization – natural born or naturalized Filipino or non-Filipino; voter or non-voter; follower or leader; etc. Land can also be defined in the context of political affairs, that is, if they represent the identity of the Filipino, the so-called national patrimony.

For Discussion:

Describe the role that you play in economic, sociocultural and political affairs. Be as specific and as comprehensive in your description as possible.

- i. In economic affairs – Are you a producer or consumer? Income-earner or dependent? Worker or capitalist? Which industry or sector do you belong – agriculture, manufacturing, academe, etc?
- ii. In sociocultural affairs – Are you male or female? Young or elderly? Are you a mother or a daughter? What is your ethnic origin? Are you an original settler in the community you now reside?
- iii. In political affairs – Are you a ruler or among the ruled? What congressional district do you belong? Are you a voter? A taxpayer?

Developmental goals. Pertaining to each affair, each individual aspires to attain a set of goals. These concern the roles or functionings that each individual wants to play in the economic, social and political affairs. To be sure, there can also be a number of combinations of these affairs: socio-economic, politico-economic, socio-political, etc. but for the moment, we only consider the major affairs.

Cloete and Rabie (2005) observe that developmental goals greatly depend on the level of development of society. At the lowest level of development, the goal of society is simply to satisfy basic needs of food, water, shelter, clothes and personal safety. Over time when a number of the poor will have graduated out of poverty, the middle class becomes a significant sector. The demand will now be for sanitation and health services, “nice” jobs, churches, recreations, schools, shops, life cycle services, etc. At a higher level of development, the aspirations now evolve to personal and abstract needs – specialized individual interest and preferences - travel, music, culture, sports, hobbies, etc. It may also happen that at any point in time, different groups or communities are on different levels of development and therefore, have different goals.

There is inherent difficulty in measuring the success in attaining goals. Each individual is bound to have many goals. If he succeeds in one but not in the other, do we count that as success? If he succeeds in all except in one, would that count as more success? An even more complicated problem is: how do we aggregate the success or degrees of success of each and every individual?

It is not uncommon to hear of goals that are expressed in terms of per capita income growth. But, according to our definition, economic affairs is just one of at least three affairs where man seeks fulfillment. In the beginning of the new millennium, more than a hundred countries committed themselves to the Millennium Development Goals. Targets have been set to indicate progress towards meeting the goal. Some countries have even set more stringent targets for themselves. Recently, the UNDP has been encouraging local government units (LGUs) to adapt the MDGs as their developmental goals. More than just the revision in reporting system to reflect achievement towards the MDGs, the intention of the localization effort is for these goals to direct the plans, programs and projects of individual countries and donor agencies.

For Discussion:

1. What goals do you want to achieve in terms of what you want to be and to do considering the many roles you have enumerated above?
2. Are you able to state a goal for each of the economic, socio-cultural and political affairs?
3. Can you trace a hierarchy among these goals? (e.g., I work in a car assembly plant. I want to earn enough in order to send my children to good schools.)

Economic goal ⇒ Socio-cultural goal

4. Try asking the same set of questions to your other friends. What societal affair always takes the backseat in relation to other affairs?

Rules and Incentives– What they are, Formation and Implementation.. Society sets up rules to govern and incentives to direct the interrelationship. To further clarify, we say that rules are meant to discourage individuals or groups from behaving in a certain way while incentives are meant to encourage individuals or groups into behaving in a certain way. Since land (resources), strictly speaking, do not have a “voice” in the interrelationship, a significant part of the rules and incentives has to do with the relationship between people and land. We may also accept the symbolism that this relationship is really between people in the present generation and people in the coming generations.

In democratic societies, the rules and incentives do not mean to dictate what each individual should do or become. Rather, it is to ensure that in the pursuit of these aspirations, basic human rights are observed. Article 29, Section 2 of the Universal Declaration of Human Rights states that these rules are “solely for the purpose of securing due recognition and respect for the rights and freedoms of others and of meeting the just requirements of morality, public order and the general welfare in a democratic society.” We enumerate below these basic rights, as summarized by Häusermann (1998):

Human rights necessary for survival and dignified living include: The rights to life and liberty

- The right to a standard of living adequate for health and wellbeing of the individual and his/her family
- The right to social protection in times of need
- The right to the highest attainable standard of physical and mental health
- The right to work and to just and favourable conditions of work
- The rights to food, and housing
- The rights to privacy and to family life

Human rights also cover those rights and freedoms necessary for human dignity, creativity and intellectual and spiritual development, for example:

- The right to education and to access to information
- Freedoms of religion, opinion, speech, and expression
- Freedom of association
- The right to participate in the political process
- The right to participate in cultural life

They also include those rights necessary for liberty and physical security, for example:

- Freedom from slavery or servitude
- The right to security of person (physical integrity)
- The right to be free from arbitrary arrest or imprisonment
- Freedom from torture and from cruel, inhuman or degrading treatment or punishment.

Cross-cutting are the twin principles of the equal rights of women and men, and the prohibition of discrimination of any kind as to race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status.

The rules and incentives evolve in response to changing conditions. The process by which these are formed is very much a political process. There is the provision of venue or opportunity for each individual (who cared) to have his voice (opinion, desire, etc.) heard; there is a procedure for aggregating all these individual voices; there is the decision to be made with consideration for the aggregated voices; and finally, there is the venue or opportunity to update or completely modify the decision as necessary.

Rules should contain the following basic elements:

- Description of the behavior that is not allowed/discouraged
- Procedure for reporting
- Sanction in case of violation
- Effectivity of the rule

Incentives should contain similar elements:

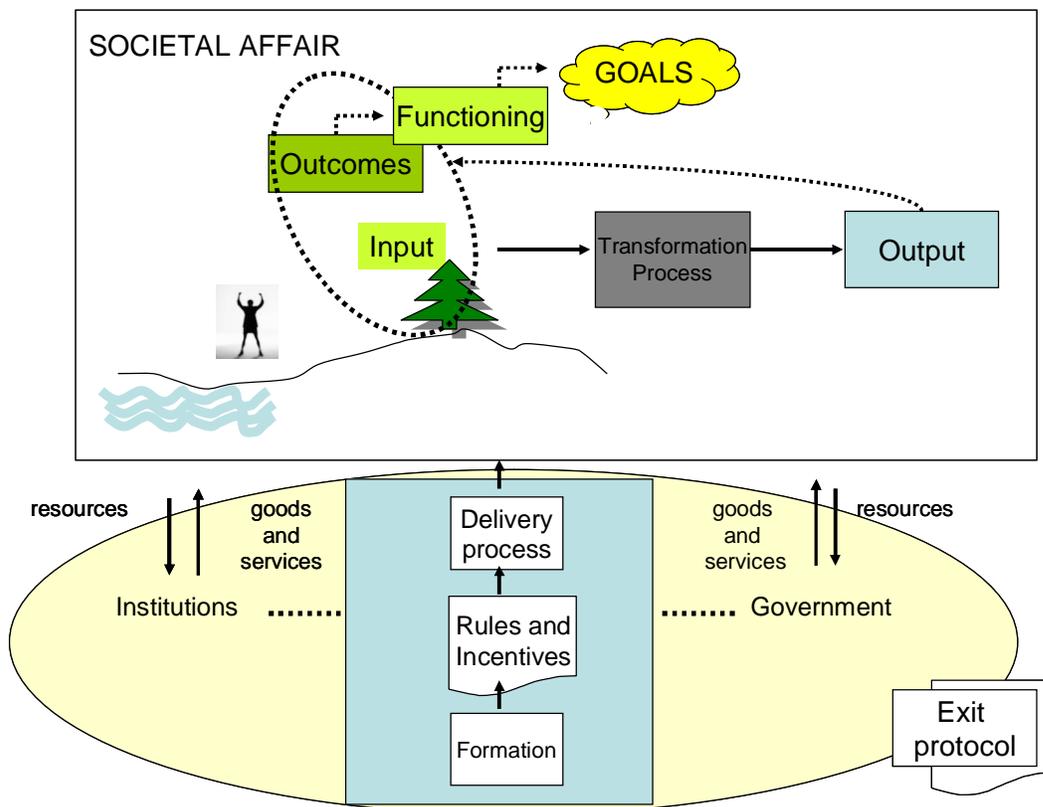
- Description of the behavior that is being encouraged
- Procedure for reporting
- Reward in case of compliance
- Effectivity of the incentive

For Discussion:

1. Which of the rights listed above frequently get violated by other individuals, firms or government? First, refer to your own experience, then to your knowledge as it pertains to others.
2. Are there rules and incentives that govern and direct behavior so that these rights are observed?
3. What are these? Analyze these rules and incentives according to the elements enumerated above.

5. A Framework for Understanding Governance

The discussion above can be illustrated in the following framework:



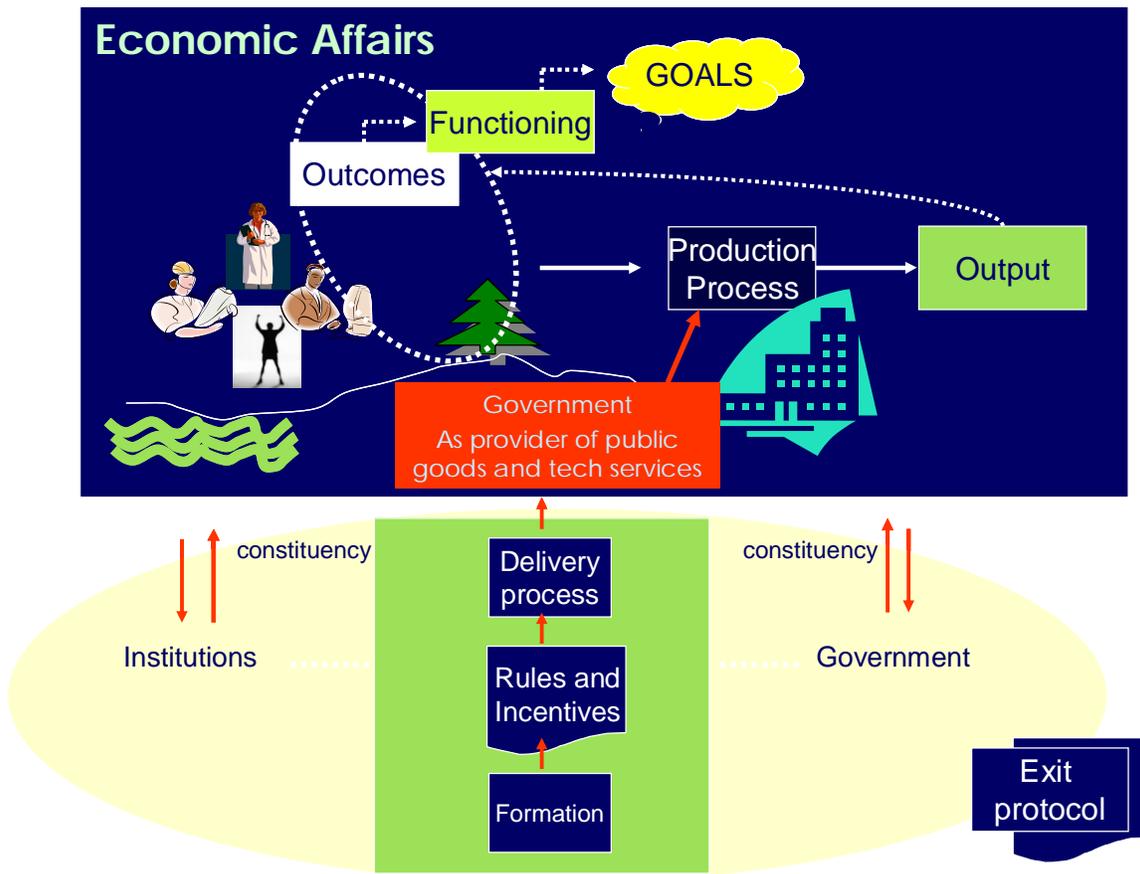
- a. In order to evaluate the state of governance, the first task is to profile the “upper box.”

- What resources are involved in this societal affair? How many or how much and in what form? (quantity and quality).
 - What output is produced? How many or how much and in what form? (quantity and quality).
 - What are the desired goals for this societal affair? How is this measured? How far is the current level from the desired?
 - What government agencies are directly involved in this societal affair? What is the capacity of these agencies?
- b. The second task is to profile the “lower box”.
- What important rules and incentives govern and direct the behavior of the major players in this affair?
 - What government agencies are involved in the formation, implementation and modification of the rules and incentives that govern this affair? What is the capacity of these agencies?
 - What institutions are involved in this societal affair? How strong is their social capital? What proportion of the marginalized sectors is included in these institutions?
 - How are institutions involved in the formation, implementation and modification of the rules and incentives that govern this affair?
 - How many rule violators have been apprehended? In case of no or too few apprehensions, are there evidences of collusion between and among the offender, offended party and the rule enforcer?
 - With respect to incentives, what is the rate of avilment?
- c. The third task is to process the information:
- Economic efficiency in the utilization of resources to produce output
 - Effectiveness of output in realizing outcomes
 - Efficiency and effectiveness of public sector output to affect private sector input and output
 - Clarity of rules and incentives
 - Democratic participation in the formation/modification of the rules and incentives
 - Transparency and efficiency of implementation
 - Effectiveness of accountability mechanisms

Note that in evaluating government, we distinguish between its functions of directly providing public goods and basic services, and of administering the rules and incentives.

It would be useful to consider each of the economic, political and socio-cultural affairs separately:

Governance of Economic Affairs



Society aspires for economic development characterized by efficiency, equity and stability. Some indicators that can be used to measure these outcomes are:

Efficiency

- Land productivity by industry, region
- Labor productivity by industry, region
- Capital build-up by industry, region

Equity

- Income per capita
- Gini ratio
- Income distribution
- Income by sector of employment
- Income by class of worker
- Poverty incidence
- Asset distribution

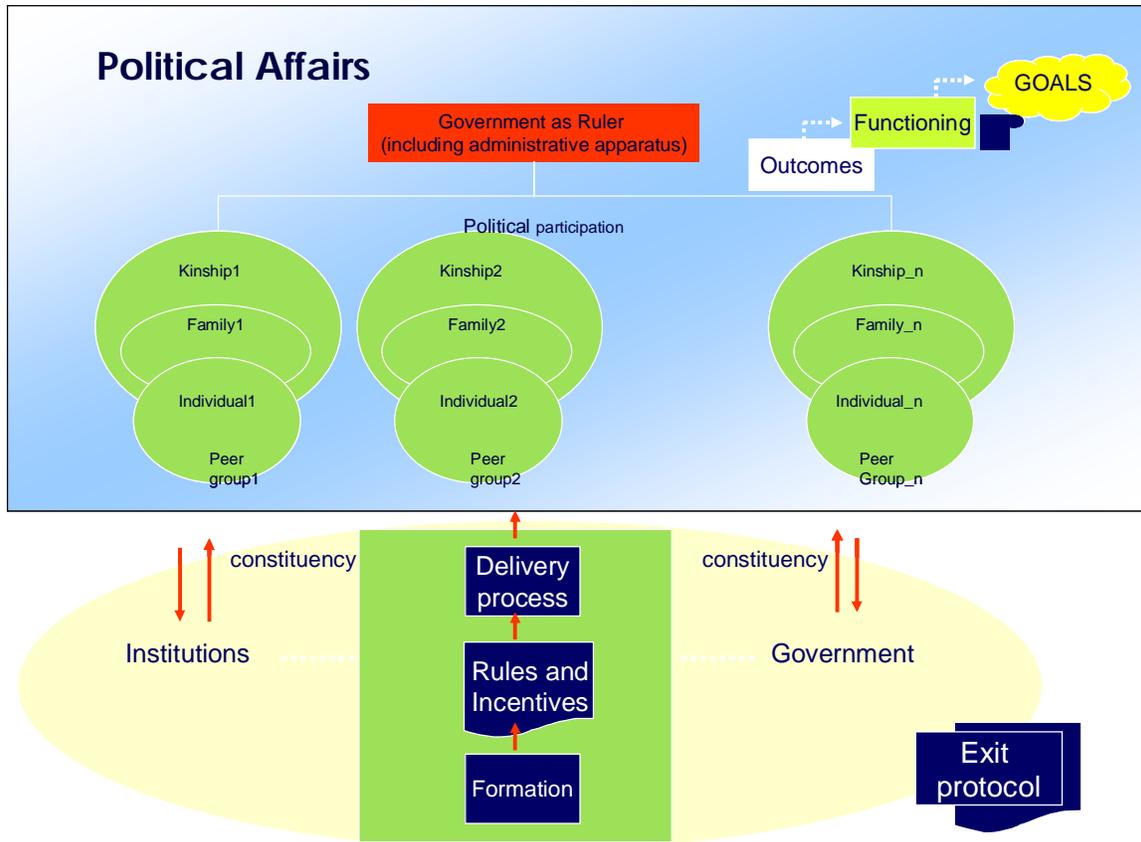
Stability

- Current account balance
- Capital account balance
- Trade balance
- International reserves
- Debt (private, government, domestic, international)
- Fiscal balance
- Inflation rate
- Interest rate (trends in long term bonds)
- Saving rate
- Investment ratio

In economic affairs, people take on their economic roles either as source of labor, capital or both. Environment is also considered for its role as input to production. We also single out the function of government in providing public goods and technical services (research, information, etc.) These inputs relate with each other to produce outputs that are then utilized to generate outcomes that will result in functioning towards the attainment of economic goals.

We are interested in rules that govern the relationship between labor and capital, labor and management, labor and land, capital and land, producer and consumer, etc. We are also interested in incentives that direct labor and capital to expend optimal input in order to produce output.

Governance of Political Affairs



In analyzing governance of political affairs, we are interested in central and local institutions, organizations and personnel that have the power to issue directions and rule and the relationship of the ruler to the ruled. The goals that we hope to attain concerning this affair are Filipino sovereignty, national unity and national pride.

Some indicators that show that these are not met are the following:

- Incidence of armed conflict (NPA)

- Incidence of coups

While some indicators that show that the goals are met are:

- % registered voters

- % voters

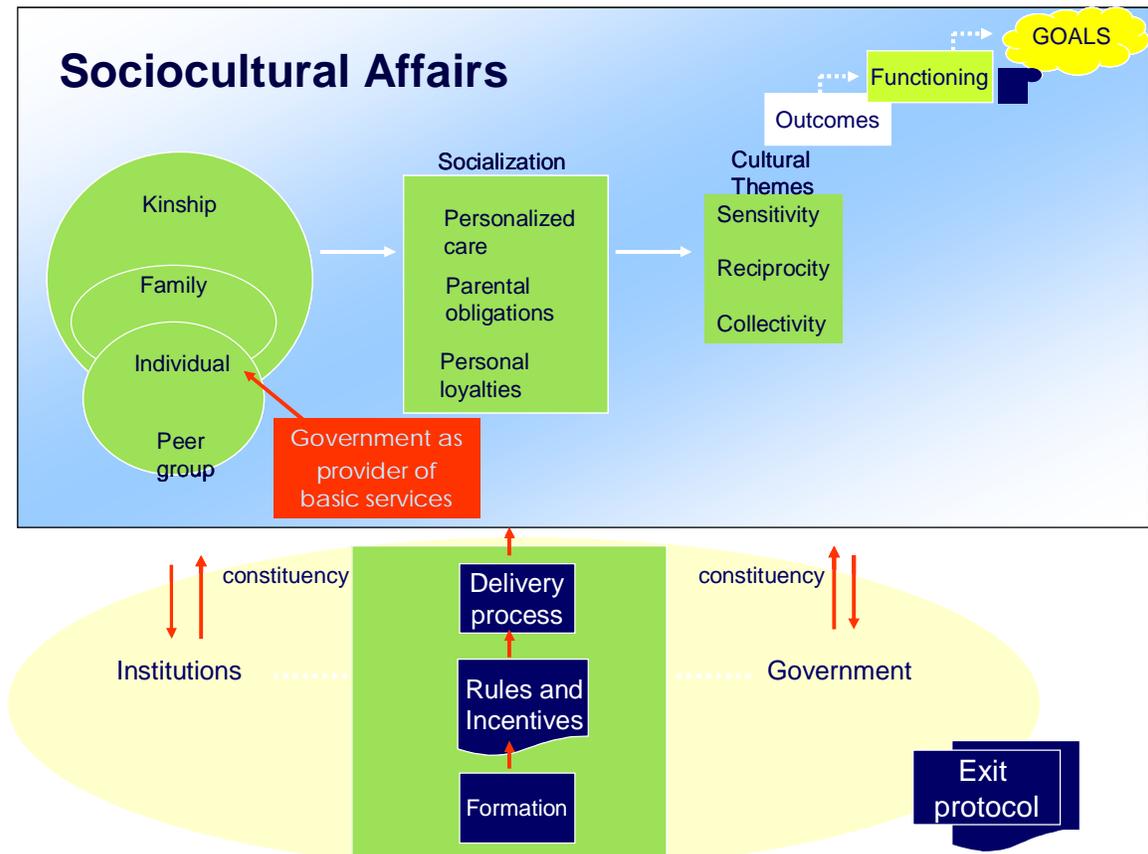
- Absentee voters

- #/% who availed of dual citizenship

There are also indicators that reveal breakdown of governance. Unwillingness of the ruled to submit to the authority of the ruler may be manifested in low tax collection efficiency, low participation in public forums, political assassinations, etc. Ineffectiveness of the ruler to exact compliance from the ruled may be manifested in harassment of the opposing people or groups, excessive use of force in dealing with street protests, etc.

As before, we need to describe the profile of the ruler and the ruled. Since the outputs produced are bound to be intangible, we can describe instead the outcomes realized. Even more important, we describe and evaluate the rules and incentives that govern and direct the relationship. Note that the electoral process is an important aspect of the rules and incentives that govern and direct how the ruler relates with the ruled.

Governance of Socio-cultural Affairs



Before a person takes on its (active) economic and political roles, he is first a socio-cultural being. He belongs to a family, a kin and perhaps a peer group. He is also identified by his cultural leanings perhaps equated with his membership in an ethnolinguistic group or place of residence, etc.

Jocano (2000) postulates that with respect to socio-cultural affairs, an individual aspires to attain dignity and honor. Admittedly, indicators that measure the attainment of these goals are hard to come by. The alternative is to follow the example set by HDN framework where the variables that go into the computation of the HDI are indicative only of the ability “to be and to do” rather than measures of how people have done or have become what they have set out to be and to do. We can then look at indicators that reveal distribution of opportunities to achieve dignity and honor. We also add the following collective goals with respect to sociocultural affairs:

- Mutual respect of cultures
- Nondiscrimination by gender, ethnic origin, religion, location of residence, pertaining to which we can consider outcome indicators such as incidence of Moro insurgency, tribal wars, religious clashes, violence against women, children, the “socially disadvantaged”, etc.

The profile should describe the following, at the minimum: (a) distribution of families by type of household (by location) ethnic and religious groups, (b) migration statistics by ethnic and religious groups. Services and facilities, say schools, hospitals, etc., whether private or public should be analyzed according to its availability across people groups characterized by income class, age sex, or even age. Outcomes and final incomes can also be described the same way.

III. EVALUATION

1. The Process Approach

Webster's dictionary defines evaluation as the process of examining the "significance, worth or condition" of something. In general, we value something in terms of the satisfaction we derive from owning it or using it. In turn, our satisfaction depends on how much the object is able to fulfill the purpose for which we obtained it. What the definition implies is that we are able to obtain something for a price and that we obtain it for a reason.² We then consider what else we could have for the same price and if it will give us a higher satisfaction level. (We also undertake activities for a reason. We spend time on the activity and if it did not turn out the way we wanted it to, we say that it was "a waste of time.")

In project evaluation, we determine the project's worth by the extent to which it was able to accomplish the objectives for which it has been designed. In addition, we want to learn lessons from the evaluation so that we can improve on the project design the next time we want to accomplish the same set of objectives. We then need to answer the following questions:

1. Was the project done right?
2. Was the right project done?

The first question concerns the translation of project input to output while the second is on the transformation of output to outcome.

We are also concerned about attribution. If the project did not produce the output that we wanted and yet we observe desirable outcomes, then the project should not be given credit for the outcomes. There are many ways in which outcomes are realized. It is for this reason that we adopt a "before and after, with and without" design in project evaluation. We look at outcomes over some time period (before and after) in areas where we introduced the project as well as in areas where we did not introduce the project at all (with and without).

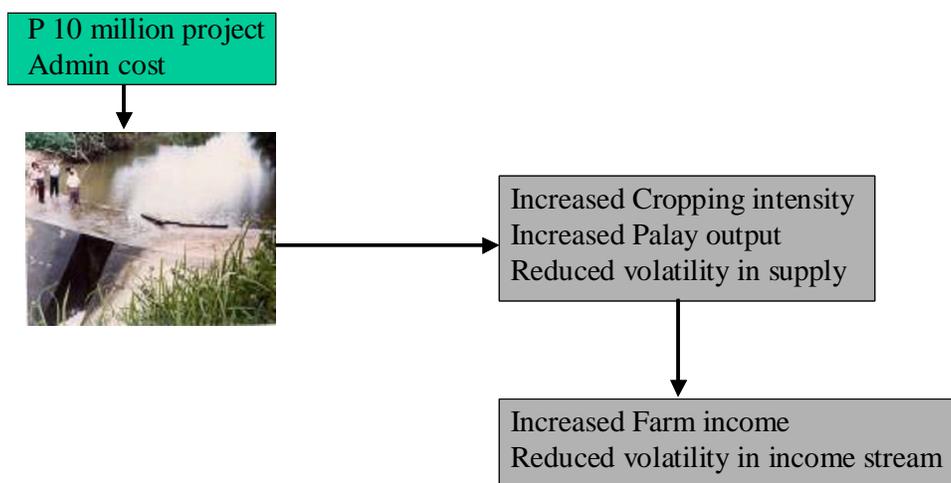
² Strictly speaking, we do not really "obtain" gifts, we receive them. Although we can say that we bought it in terms of how much we invested in the person that gave us the gifts, perhaps in terms of time and even gifts (money).

With respect to governance, the purpose of evaluation is the same, i.e., to determine the extent to which governance has accomplished its objectives. However, unlike project evaluation, it is difficult to look for a “with and without” scenario because there will always be governance aspects that will have over-arching influence. The technique, then, is to adopt a process approach. We borrow the definition in ISO 9001:2000, clause 3.4.1, (cited in Flemming 2002) and his subsequent discussion:

Process is defined as "a set of interrelated or interacting activities that transform inputs into outputs." The process approach is built on the belief that a desired result is achieved more efficiently when activities and related resources are managed as a process. This approach is built on four concepts: inputs, outputs, verification, and validation. These four ideas form a cohesive structure to ensure that the desired outcome results from the process applied.

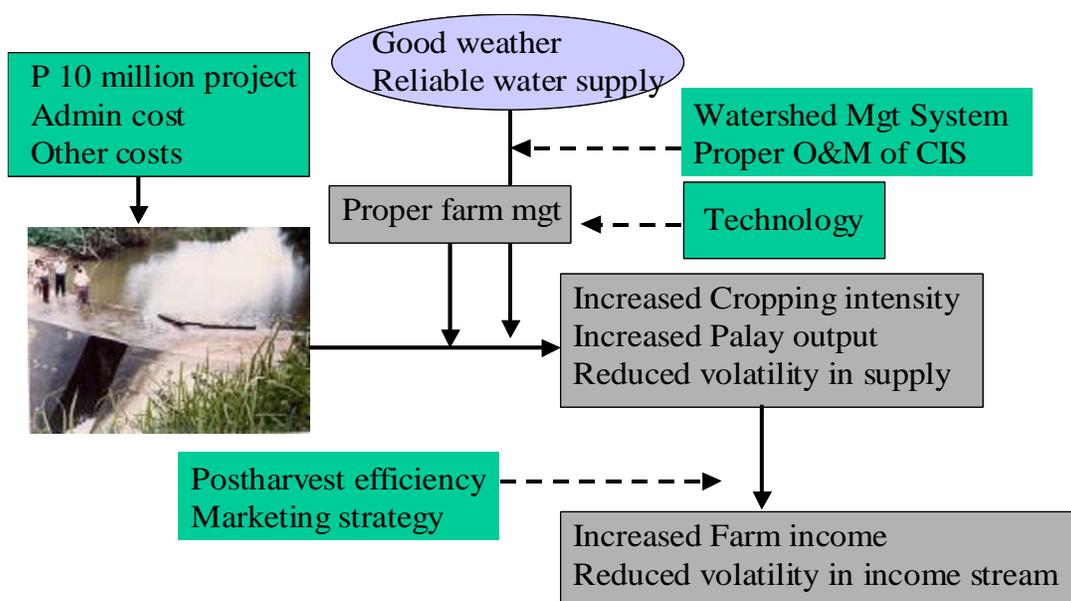
Before we conclude that the observed outcome is due to the project, we first need to ascertain delivery of project outputs to and utilization of the same by the intended beneficiaries. We also need to verify the seeming relationship using the question “Are there ‘sub-process’ that interact with the main process that may have affected outcomes?”

Consider the following example of a communal irrigation project³. Note that we start with the main process being Input → output → outcome → impact

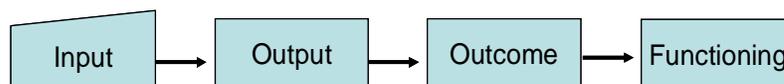


³ Adapted from Edillon (forthcoming) with tentative title “A Guidebook on Project Evaluation and Development for Provincial Planners.”

The main diagnostic question is: Is the communal irrigation project all that is required to increase farm income and reduce the volatility in income stream of farmer-beneficiaries? To which, our likely answer is “No.” We then modify the diagram to include the other factors (secondary processes).



The purpose of the lower box of governance is to affect the affair described in the upper box. Note that this affair follows its own “main process” of

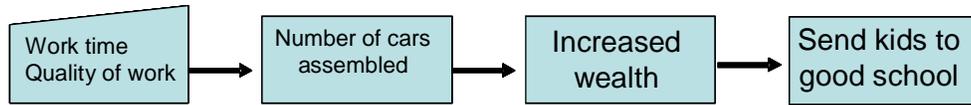


The effect of the lower box may be in terms of:

- a. increase in input
- b. improved efficiency to translate input into outputs
- c. improved effectiveness to transform output into outcomes
- d. improved effectiveness and efficiency to realize functionings

Recall our earlier example of a worker in a car assembly plant who stated the following goal: “I want to earn enough in order to send my children to good schools.”

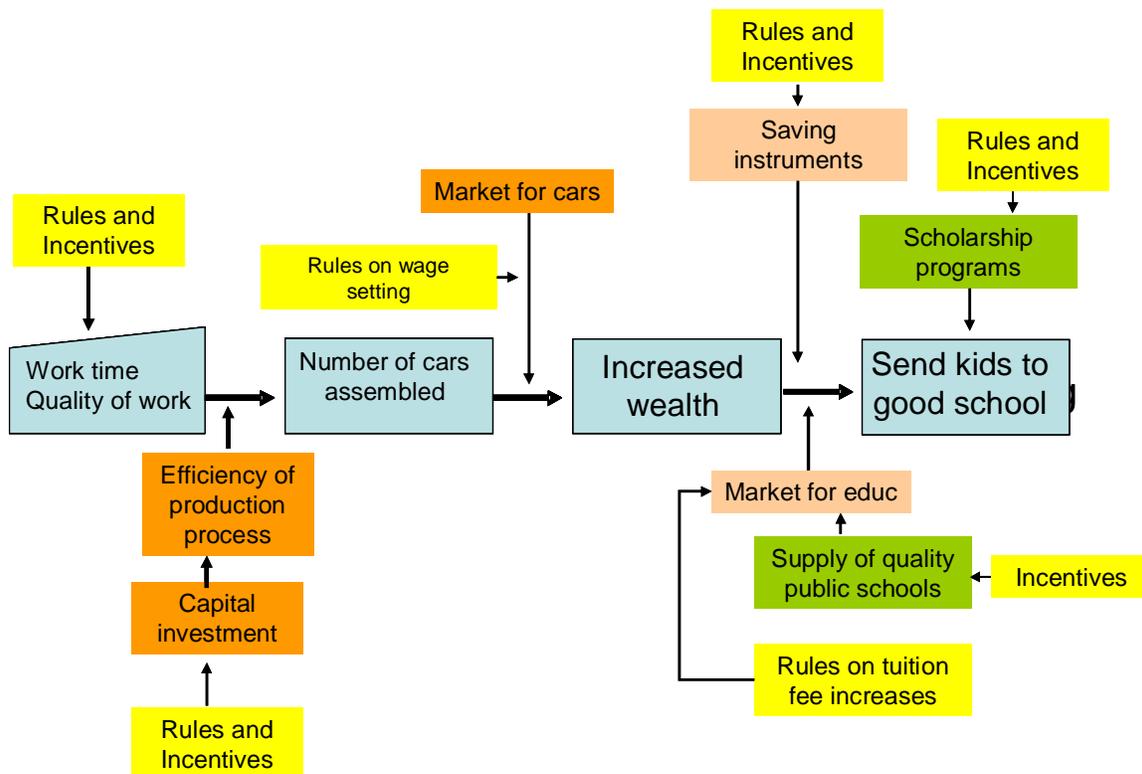
The main process can be illustrated as in the following. Notice that we started with the inputs of the worker and ended with his goal.



Then, we ask a series of diagnostic questions:

- Is quality and quantity of work time expended by the worker, enough to determine the exact number of cars that were assembled?
- Is the number of cars assembled by the worker the only determinant of the increase in the wealth of the worker?
- Is the increase in the wealth of the work enough to determine if he is able to send his kids to a good school?

We can elaborate the illustration to explicitly consider the role of rules and incentives, as in the following:



- Rules dictate that the worker spends at least 8 hours a day and 5 to 6 days a week at work. Incentives on overtime will determine if he will put in extra time for work.
- Translating his quantity and quality of work into number of cars assembled will depend on the efficiency of the production process. This is, in turn, affected by the capital investment of his company. In turn, this is influenced by the rules and incentives concerning capital equipment purchases – duties and taxes, tax breaks, etc.
- Translating the number of cars into increased wealth for the worker will depend on the profit of the company, that largely depends on the market for cars – demand and supply. The company then pays the workers, according to the profits it has realized, quantity and quality of work time expended by the worker, but subject to the rules that govern wage setting.
- If the worker is investing in his children's education, he is in for the long haul. From his increased wealth, he should be able to set aside some amount for the future. This behavior is encouraged by the availability of saving instruments, that is in turn, dependent on the rules and incentives that govern saving and investment firms.
- There is also the market for education that needs to be considered that ultimately dictates the tuition fees to be charged by private schools. Of course, there are also rules that govern this. Another important consideration is the availability of good public schools, that is, in turn, determined by incentives given to quality public schools.
- There is also the possibility of the worker's children availing of scholarship programs. Again, this possibility is governed by rules on availment.

For Discussion:

1. Recall your goal statement (that included the hierarchy of goals desired for each societal affair).
2. Draw the main process flowchart.
3. Elaborate the main process flowchart by identifying secondary factors in-between input to output, output to outcome, then outcome to functioning.

2. Governance Parameters to be Evaluated

Pertaining to the “upper box”

Component or Process	Parameter
Input (People, Firms ⁴ , Land, Government as direct provider)	Quantity, quality
Output ⁵ (Private sector, public sector)	Quantity, quality
Input → Output	Efficiency = $\frac{\text{Output}}{\text{Input}}$
Outcome	Level, distribution Effectiveness = Desired level – actual
Output → Outcome	Efficiency = $\frac{\text{Outcome}}{\text{Output}}$
Functioning	Level, distribution Effectiveness = Desired level – actual

Pertaining to the “lower box”

Component or Process	Parameter
Government as implementor of rules and incentives	Capacity, coverage
Institutions	Social capital
Rules	Clarity Awareness by all concerned Cost of “reporting” violations Perceived proportion of violators apprehended
Incentives	Clarity Awareness by all concerned Cost of avilment Perceived rate of avilment
Implementation of rules and incentives	Efficiency = $\frac{\text{Coverage}}{\text{Costs incurred}}$

⁴ Firms figure prominently in economic affairs.

⁵ Note that we can relax the reference to output in the case of political and socio-cultural affairs.

Participatory processes	Consultations conducted, coverage $\text{Efficiency} = \frac{\text{Coverage}}{\text{Costs incurred}}$
Accountability mechanism	Presence/absence of M&E Clarity Awareness by all concerned Frequency and Time lag of reporting Coverage of dissemination

3. Choice of Indicator

An indicator is a measure, either directly observed or derived, which indicates movement towards, or away from an agreed target.

Characteristics of a Good Indicator

First, an indicator must be consistent with objectives. It must be able to fall neatly into the IF-AND-THEN logic. For instance, increased availability of ODA funds does not necessarily indicate an enhanced capability to implement projects.

Second, an indicator must be verifiable. At the very least, it must have quality, quantity and time dimensions. It must also lend itself to objective measurement. For instance, it is very difficult to measure the improvement in the 'reliability' of trainees. In the first place, it is vaguely defined; it does not include a quantity dimension. Secondly, it cannot be objectively verified so that there can be as many different 'levels of reliability' as there are evaluators.

Third, an indicator must be monotonic with respect to welfare measures. For instance, the number of plans developed is not indicative of enhanced planning capacity. In this case, more is not necessarily better. It may be that the beneficiaries are not capable of developing a comprehensive plan so that they came out instead with several, disjoint plans.

Types of Indicators

Of interest to us are two broad classes of Indicators – results and efficacy indicators.

- Results indicators measure the level of results relative to objectives. Examples are input, output, outcome, and impact.
 - Inputs indicators measure that quantity and sometimes quality of resources that are utilized by the major players in the societal affair.
 - Output indicators measure the quantity and sometimes quality of good and services created or produced by the major players.
 - Outcome and impact indicators measure the quantity and quality of results achieved through the utilization of the outputs produced.
- Efficacy indicators show how well results at one level or sub-process have been translated into results at the next level or sub-process.
 - Efficiency indicators measure the amount of input necessary to produce a unit of output.
 - Effectiveness indicators measure the amount of outputs required to produce a unit of outcome/impact.
 - Sustainability indicators measure the prevalence of benefits over time.

Methods of Measurement

Indicators can also be classified according to how precisely they measure results and the timing of measurement. Direct measures correspond precisely to results. On the other hand, indirect measures correspond less precisely to the results. For instance, lower taxi fares can be used as an indirect measure of reduction in traffic congestion. Intermediate and leading indicators provide an early assessment of project results. For instance, increased construction activities can be a leading indicator of increased economic activity.

Selecting an indicator involves an iterative process. First, start with a basic indicator consistent with the component that it is supposed to measure. Simplify so

that it becomes objectively verifiable. Then, add QQT dimension. Lastly, check if the indicator is monotonic.

As an example,

Basic indicator: increased farm productivity
Simplify: increased yield per ha.
QQT: rice yield per ha. increased by X% between years 1 and 5.

Check: Increased yield per hectare is monotonic. Higher yield per hectare is definitely better than a lower yield per hectare.

For Discussion:

1. Refer to your elaborate process flowchart.
2. Select an indicator pertaining to results (input, output, outcome, impact) and efficacy.
3. Verify that it has the characteristics of a good indicator.