

## A CLASSIFICATION ON THE CONCEPT OF GOVERNANCE <sup>(+)</sup>

*Dr. Gökhan Demirtaş\**

### ABSTRACT

The governance concept has been come into use within the period started upon the narrowing of nation-state borders. And when it comes to the present day, it fronts us as a concept which “exists in everywhere at the same time” and there isn’t any significant classification in the literature. *The purpose of the study is to make a classification on the concept of governance.* In the study, the governance concept is addressed in 3 different categories as according to *dimension of management, form of implementation and function.* Classification according to dimension of management consists of cultural, national and local governance concepts. This distinction indicates the limits of authority transfer of the national or federal governments to global organizations upwards and local governments downwards. Classification based on form of implementation consists of macro-, meso- and micro-governance concepts. Macro-governance focuses on political implementations, whereas meso- and micro-governance are composed of project and plan based implementations. And classification according to function consists of political, economic and institutional governance concepts. Political governance is such as to support achieving the target for economic development. Moreover, the political and economic conditions of a country contribute to the determination of institutional governance environment.

**Key Words:** The Concept of Governance, Classification

---

<sup>(+)</sup> This article is prepared by benefiting from the doctorate thesis titled “Effect of Governance on Economic Performance: Panel Data Analysis” written by Gökhan Demirtaş under the consultancy of Selçuk Akçay.

\* Afyon Kocatepe University, F.E.A.S., Department of Economics.

## ÖZET

Yönetişim kavramı, ulus devletin sınırlarının daralmasıyla başlayan süreçte kullanılmaya başlamıştır. Günümüze gelindiğinde ise “aynı zamanda her yerde var olan” bir kavram olarak karşımıza çıkmaktadır ve literatürde belirgin bir sınıflandırma bulunmamaktadır. *Çalışmanın amacı yönetim kavramı üzerine bir sınıflandırma yapmaktır.* Çalışmada yönetim kavramı, *yönetim düzeyine, uygulama biçimine ve işlevine* göre olmak üzere 3 farklı kategoride ele alınmıştır. Yönetim düzeyine göre küresel, ulusal ve yerel yönetim kavramlarından oluşmaktadır. Bu ayırım, ulusal ya da federal hükümetlerin, yukarı yönde küresel kuruluşlara aşağı yönde yerel yönetimlere yetki devrinin sınırlarını göstermektedir. Uygulama biçimine göre sınıflandırma makro, meso ve mikro yönetim kavramlarından oluşmaktadır. Makro yönetim, politika uygulamalarına odaklanırken meso ve mikro yönetim, proje ve plan bazlı uygulamaları içerir. İşlevine göre sınıflandırma politik, ekonomik ve kurumsal yönetim kavramlarından oluşur. Politik yönetim, ekonomik kalkınma hedefine ulaşmayı destekler niteliktedir. Ayrıca bir ülkenin politik ve ekonomik şartları, kurumsal yönetim ortamının belirlenmesine katkıda bulunmaktadır.

**Anahtar Kelimeler:** Yönetişim Kavramı, Sınıflandırma

## INTRODUCTION

The emergence process of the governance concept presents its significance. The first development is the narrowing of sovereignty areas of the nation-states along with globalisation and technological progress.<sup>1</sup> When nation-states accept the involvement in international organizations and economic integrations, they accept to comply with the international norms and also accept the development of institutions network, within the scope of international cooperation. This situation brings national policy limitations for the nation-state with it. Besides, it is an accepted fact that the nation-states cannot fight on their own with the problems like economic and financial crises, arising

---

<sup>1</sup> Linda WEISS (1999). Globalization and National Governance: Antinomy or Interdependence?, *Review of International Studies*, 25(5): 59-88.

especially with the effect of globalisation.<sup>2</sup> For these reasons, the states leave their exercise powers to the local governments and other institutions downwards, and the global institutions and equal level of interregional organizations upwards.<sup>3</sup>

The second significant development is the abandonment of the sense of *welfare state* and the downfall of Bretton Wood system, which is implemented during a parallel process. The end of 1960s and the beginning of 1970s caused the sense of welfare state not to be maintained due to the macroeconomic problems, the role of state in economy to be redefined and neo-liberal policies to gain strength.<sup>4</sup> In this period, the sense of *minimal state* or in other words, ‘regulatory state’, boundaries of which are drawn through the international financial institutions (IFIs) was implemented. Quick steps were taken towards privatisation, deregulation and minimization of public interest in economy apart from the strict money policy. This process is an indicator of a fundamental change in the economic policies of the IFIs. However, these implementations haven’t produced a solution to the development problem of the developing countries and economic crises resulted from the state government have continued to be experienced.

The 1990s are a period where problems were experienced in terms of increased state debts, unemployment, inflation and unfair income distribution; how high the social costs of the neo-liberal policies were understood and the critics were increased. In this period, the IFIs under the leadership of the World Bank reviewed neo-liberal policies and made an observation that there were political government problems behind the structural reforms.<sup>5</sup> Such as to support the sense of *minimal state* in economics, governance has

---

<sup>2</sup> James N. ROSENAU (1992). Governance, Order, and Change in World Politics, *Governance without Government: Order and Change in World Politics*, Eds: J. N. Rosenau ve Ernst-Otto Czempiel, 1-30, New York: Cambridge University Press.

<sup>3</sup> John M. ROBERTS and Fiona DEVINE (2003). The Hollowing Out of the Welfare State and Social Capital, *Social Policy & Society*, 2(4): 309-318.

<sup>4</sup> Nikolas ROSE (1996). Governing “Advanced” Liberal Democracies, M. Bevir (ed.), *Theories Governance*, 355-378, London: Sage Publication.

<sup>5</sup> ZABÇI, Filiz Ç. (2002). Dünya Bankası’nın Küresel Pazar için Yeni Stratejisi: Yönetişim, *Ankara Üniversitesi Siyasal Bilgiler Fakültesi*, 57(3): 151-179.

emerged as a new concept determining the political obligations of the state.<sup>6</sup>

The first use of governance concept under the term meaning at the present day is in the World Bank's report dated 1989, with the title of *Sub-Saharan Africa: From Crisis to Sustainable Growth, a Long-term Perspective Study*.<sup>7</sup> In time, governance has become a concept used with different meanings in several fields, as political, economic and social particularly. As a consequence, there is no consistent governance theory and it is almost impossible to produce a very clear picture regarding what the governance concept is.<sup>8</sup> Due to the use of very different meanings in several fields, Jessop<sup>9</sup> describes governance as a key concept which *exists in everywhere at the same time*.

*The purpose of the study is to make a classification on the concept of governance.* The main reason for making a classification is the fact that the governance concept has a prevalence and confusion of use. Although there are many distinctions made in an implied way in the literature, there is no significant classification. The classification made in the study also aims at helping in understanding the definition used in empirical studies associated with governance.

For this purpose, the study begins with the definitions concerning the concept of governance. After emphasising the differences between the definitions, the governance concept is classified in three different headings according to dimension of management, form of implementation and function. And in the last part of the study, it is discussed about the relations among the governance actors and what the basic characteristics of the governance

---

<sup>6</sup> Selime GÜZELSARI (2003). Neo-Liberal Politikalar ve Yönetişim Modeli, *Amme İdaresi Dergisi*, 36(2): 17-34.

<sup>7</sup> Report emphasises how the African governments can arrange their programmes and policies according to the sustainable growth target. In the report, the responsibility of the economic difficulties experienced in Africa is shared among the African governments and international aid organizations and the necessity of fundamental changes in government managements is underlined.

<sup>8</sup> Anne Mette KJÆR (2007). *Governance: Key Concepts*, Cambridge: Polity Press.

<sup>9</sup> Bob JESSOP (1998). The Rise of Governance and The Risks of Failure: The Case of Economic Development, *International Social Science Journal*, 50(155): 29-45.

concept are. *Good governance* is a normative concept and assessed from the perspective of neo-liberal financial institutions which are effective on the emergence of governance concept.

## I. DEFINITIONS

The word governance<sup>10</sup> is not new. However, becoming frequently used is a relatively new progress.<sup>11</sup> The uses of the word governance prior to its term meaning fits for the word government and means to govern and orienting. The word governance becoming widespread increasingly and turning into a concept comes across the period where stating the difference between governance and government is a necessity. The governance definitions in the literature can be divided into two groups as made by the academicians and the IFIs. The first reason of this distinction is that the scientific definitions contain more technical-level and self-operating mechanisms. And in the definitions belonging to the IFIs, emphasis is made more on economic functions or development. Besides, whether or not the definitions of the IFIs are thought to be global or national, they ground on government activities. And in the definitions presented by the academicians, even the smallest social units are included in the definition.

### A) SCIENTIFIC DEFINITIONS

Governance is thought to be a system of rules where targets are followed by the control mechanisms with supranational consequences, at all levels within which there is a human activity from the family to the international organizations. Governance, as well as the system of rules composing the social order, includes the activities trying to provide safety, welfare, order, consistency and continuity. The

---

<sup>10</sup> The word "Governance" derives from the Greek words 'kybenan' and 'kybernetes'. These words, respectively mean 'to steer' and 'to pilot' in English. Regarding the origin of the word etymologically; Lafferty (2004:4) indicates that what needs to be oriented or governed is the "change" (economic, politic or social).

<sup>11</sup> Tim PLUMPTRE and John GRAHAM (1999). *Governance and Good Governance: International and Aboriginal Perspectives*, Ottawa: Institute On Governance, s.3

concept shouldn't be limited in the manner that will cover the national and international systems. Governance, starting from the small world of a family, also covers special attempts, social systems in educational and military fields, local and regional governments.<sup>12</sup>

According to Rhodes<sup>13</sup>, governance consists of inter-organizational networks shaped with the principle of self-organizing, mutual loyalty, exchange of resource, rules of the game and significantly autonomy from the state. This expression used as a definition in several studies mostly indicates what the concept of governance contains. And Hyden<sup>14</sup> defines governance as the management of political rules, either official or unofficial. This definition includes the arrangement of the rules associated with the use of exercise power and the removal of the confusions concerning these rules.

Stoker<sup>15</sup>, after emphasising that very different definitions were used for the concept of governance, tried to make an explanation over five different points as to what the concept might be and many of the definitions had a ground for consensus. The purpose of the author is to provide the determination of the limits on whether or not the governance is in many aspects, rather than specifying if the expressions on the concept of governance are correct or wrong. (1) Governance is the structure containing the government and also the institutions and the actors beyond it. (2) Governance defines the fuzzy area between the responsibility and the limitations associated with economic and social matters. (3) Governance defines the authority dependence containing the relations among the institutions suitable for collective activities. (4) Governance is related to the self-governing

---

<sup>12</sup> James N. ROSENAU (1995). Governance in the Twenty-first Century, *Global Governance*, 1(1), s.13-14.

<sup>13</sup> R. A. W. RHODES (1997a). *Understanding Governance. Policy, Networks, Governance, Reflexivity and Accountability*, Buckingham: Open University Press, s. 15

<sup>14</sup> Goran HYDEN (1999). Governance and the Reconstitutions of Political Order, R. Joseph, (Ed.), *State, Conflict, and Democracy in Africa*, Boulder, CO: Lynne Rienner, s.185

<sup>15</sup> Gerry STOKER (1998). Governance as theory: five propositions, *International Social Science Journal*, 50(155), s18

autonomous networks among the actors. (5) Governance defines the capacity of making something without relying upon the commanding power and authority of the state; it is seen as the state's use of tools and techniques for orienting and leading.

Governance is generally a difficult process, even when everything is fine. A suitable concept of governance involves first an extensive strategy for activities and then the transition to certain policies and decisions from broad strategies and lastly the performance of the the decisions among the selected activities. On the other hand, governance is related to many concepts: the relations of the subjects like democracy, participation, corruption and governing capacity of the state with the development. In this regard, public sector reform produces new and preferential subjects like the capacity of state government in providing public services, identifying the right level of the public properties provided by the state, improving the efficiency and quality of public administration.<sup>16</sup>

#### B. DEFINITIONS of INTERNATIONAL INSTITUTIONS

The World Bank has mainly two different definitions for governance. In the first one, governance is described as the way for the exercise power to use the economic and social resources of a country for developmental purposes.<sup>17</sup> This definition mostly contains the institutional concepts related to the state government. In the definition, subjects like the accountability of the public sector which will provide the effective operation of the government and market, transparency and foreseeability of the policy making process are at the forefront. And in the second definition of the World Bank, governance is described as the use of authority resulted from the institutions and official and unofficial traditions for a common benefit. In this sense, the governance includes three elements: (1) Election,

---

<sup>16</sup> Karl WOHLMUTH (1998). *Good Governance and Economic Development: New Foundations for Growth in Africa*. Report from World Economics Seminar, Bremen University, Bremen: Institute for World Economics and International Management, s.2

<sup>17</sup> World Bank (1992). *Governance and Development*. Washington, D.C.: International Bank for Reconstruction and Development, s.3

monitoring and renewal of the governments. (2) Capacity of performing public service and creating and implementing strong policies. (3) Responsibilities of the citizen and the state towards the institutions governing the social and economic interaction of the state.<sup>18</sup> It is important that the World Bank has stated it included the citizen and state relations in the concept of governance along with this definition.

According to the Organisation for Economic Co-operation and Development (OECD), governance expresses the use of public authority for the purpose of social and economic development and the performance of control over the public resources in a country. This broad definition contains the role of the public authority in determining the economic functions and distribution of the benefit, as well as including the nature of the relation between the governing and the governed.<sup>19</sup> OECD underlines the three important points behind the governance definition as follows: Political regime style, the process for use of the authority in economic and social resources of the country, the state's capacity of determining and implementing policy.

Another international organization putting excessive emphasis on the concept of governance is the Asian Development Bank. The institution states that the reason underlying the Eastern Asia financial crisis faced in July 1997 is a governance issue. By the bank, governance is described as the use of authority for development in governing the social and economic resources of a country. In other words, governance is the method of power owners for using this power.<sup>20</sup> According to the criteria of the bank, it creates a structure specifying the governance's political aspect, the public's political choices and involving the leader election and this structure is out of the working area of the bank. However, the economic aspect of the

---

<sup>18</sup> Daniel KAUFMANN, (2003) Rethinking Governance Empirical Lessons Challenge Orthodoxy, *Discussion Paper*, March 11th, 2003, The World Bank, s.5

<sup>19</sup> OECD (1993). *DAC Orientations on Participatory Development and Good Governance*, High Level Meeting on 13 and 14 December 1993, OCDE/GD(93)19, Paris: Development Assistance Committee, s.18

<sup>20</sup> ADB – Asian Development Bank. (1998). *Asian Development Bank Annual Report 1998*, Manila, Philippines, s.16

governance, requiring the management of a strong development, is highly important for an efficient, sustainable development process.

A different definition about governance is made by the Institute on Governance<sup>21</sup> in 1997. According to this, governance is the institutions, processes and traditions determining how the exercise power is used, how the decisions are made and how the citizens exercise their rights to speak. The Institute changed the structure of the definition<sup>22</sup> more in 2002 and added the subject on how the benefits/interests arising from making decisions that affect the society may be brought together at a common point to its definition for governance. This definition underlines the role of non-governmental organizations and gives importance to the social aspect of the governance concept and includes the accountability of the governments against them, capacity improvement for good governance, reform of public sector and lastly the orientation towards voluntary organizations.

## II. CLASSIFICATION OF GOVERNANCE

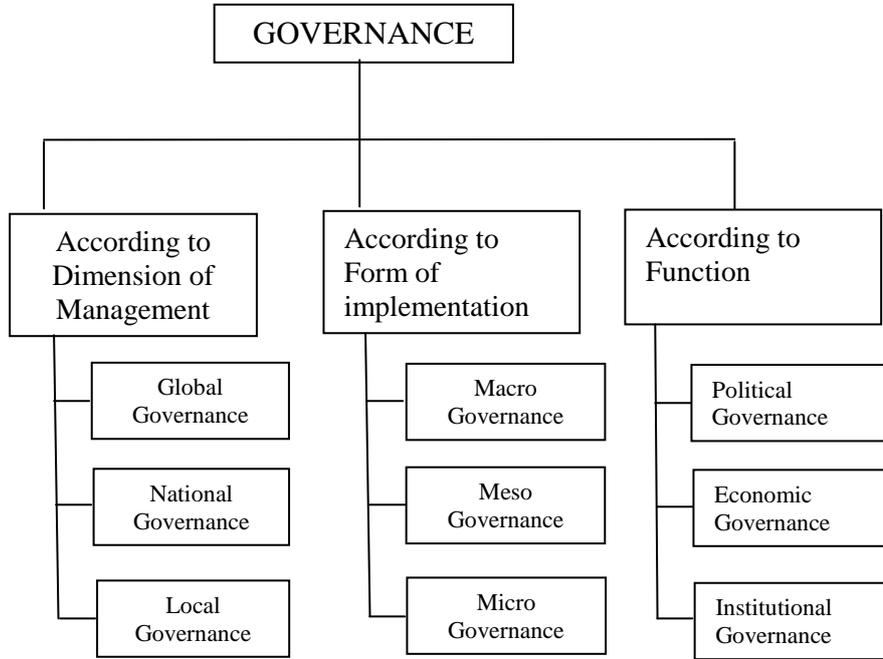
For the purpose of determining the limits of the governance concept, a classification must be made. For this reason, by carefully considering the distinctions made directly or indirectly in the literature, it is tried to make a classification according to the *dimension of management, form of implementation and function*. As a consequence, the scope of the governance concept used in the study will be specified in three different aspects. Figure 1 summarises the classification contained in the study.

---

<sup>21</sup> Institute On Governance. (1997). *The Governance Cooperative Capacity Map*, Ottawa.

<sup>22</sup> The changed definition isn't contained in the reports issued by the Institute on Governance. Many researchers give the internet address as reference when they use this definition in their studies. Since the internet addresses provided cannot be reached, this definition is quoted from Locke and Tomblin (2003:16-17).

Figure 1: Classification of the Governance Concept



**A) CLASSIFICATION according to DIMENSION of MANAGEMENT**

The concept of governance may be addressed in three different levels of government. The first level is the *global governance* suggesting a world system. Global governance is a concept shaping the supranational and international relations. The structure of governance includes state institutions and non-governmental organizations at national and international level. The state continued to be effective in the global governance structure. On the other hand, international organizations, non-governmental organizations, multinational companies have an increased *participation* in creating, implementing and following the international policies, rules and regulations.<sup>23</sup>

<sup>23</sup> Elke KRAHMANN (2003). National, Regional, and Global Governance: One Phenomenon or Many?, *Global Governance*, 9(3), s.329

Global governance includes the political interactions of supranational actors aiming at providing consistency in solution of the problems concerning more than one state and the governments cannot overcome individually. There are three important global issues underlined in the report of United Nations Commission on Global Governance (1995): (1) Economic development, provided that underdevelopment and poverty like aspects will become prominent. (2) Ecology- and natural resources-based subjects. (3) Subjects on rules and norms like war, crimes, human rights and relations. The most important thing is to provide coordination and cooperation at international level for all of these subjects. Rosenau<sup>24</sup> also states that the government cannot individually fight against financial and economic crises according to its structure.

Second level may be addressed as a concept of *national governance* and it is possible to express this with the description made by UNDP.<sup>25</sup> According to this definition, governance is the use of political, economic and administrative authority in managing the national problems/activities. This definition involves a complex structure where the citizen and the groups clearly express their own rights; fulfil their obligations and the mechanisms, processes, relations and institutions intermediating when there are differences between their rights and obligations. Governance is characterised by the principles such as participation, transparency, accountability, superiority of law, effectiveness and efficiency, and neutrality.

Another dimension of management in the concept of governance is *local governance*. Local governance expresses the relations created by the local participants (sharer) for the purpose of affecting the outputs of public policy.<sup>26</sup> Local governance is a method in which the decisions are made and implemented by the public or on behalf of the public. The governance at this level contains subjects

---

<sup>24</sup> James N. ROSENAU (1992), a.g.e., s.3

<sup>25</sup> UNDP, (2005). *How to Guide: MDG – Based National Development Strategies*, New York: Poverty Reduction Group – Bureau for Development Policy, s.48

<sup>26</sup> Tony BOVAIRD and Elke LÖFFLER (2003). Evaluating the Quality of Public Governance: Indicators, Models and Methodologies, *International Review of Administrative Sciences*, 69(3), s.314

like effective decision making mechanisms, authority assignment to the decision makers, use of common financial and natural resources, supply of public properties and services and accountability of the persons to whom the authority is entrusted. In addition to local government, public organizations and local bodies, several non-governmental organizations, local service networks; citizen monitoring structures associated with the public service units and their relations amongst are the elements composing the local governance.<sup>27</sup> When, starting from mutual-aid, subjects like water, industrialisation and environment, transportation, state institutions' local initiatives and the operation of finance markets under the supervision of central government are considered, the local governance is seen to have the broadest field of implementation.

## **B) CLASSIFICATION according to FORM of IMPLEMENTATION**

Governance, basically, has two different forms of implementation as macro and micro. *Macro governance*, basically, is based on the autonomy from the politic system of the market economy. And *micro governance* contains the government and activities of corporate and individual public institutions.<sup>28</sup> When thought in terms of form of implementation, macro governance expresses the policy and implementation field of the basic conditions for the governance such as public choice in election of the governments, freedom of the press and social movements, commitment to the superiority of laws and extensive bureaucratic accountability.

On the other hand, The African Development Bank (AfDB) stated that some authoritarian regimes committed themselves to the

---

<sup>27</sup> World Bank (2004). Local Development Discussion Paper, for International Local Development Conference June 2004, Quoted from Human Development, Social Development, and Public Sector Management Networks, s.6  
[www.worldbank.org/publicsector/decentralization/LDDPfinalconferenceversion.doc](http://www.worldbank.org/publicsector/decentralization/LDDPfinalconferenceversion.doc)  
(Erişim: 24.12.2007)

<sup>28</sup> Henry WANG (2004). *Socialism and Governance*, UK: Trafford Publishing, s.78

development may exhibit a good governance structure at micro level and presented the idea that the concept of governance may be divided into macro (politics), meso (project) and micro (plan) according to different forms of implementation of the state.<sup>29</sup> And *meso* and *micro* governance, generally addressed together, express the implementations of the state at the lowest level as regional, sectoral or local.<sup>30</sup> Meso governance is also described as providing the regional (sectoral and local) coordination for effective economic development and the connection between the political process and a successful economic process.<sup>31</sup> Regarding the fact that AfDB gave international aids as project-based after the mid 1990s, the underlying reason is that the changes in politics at macro level haven't been made by the central governments and the aids haven't been turned into investments due to the corruptions.

### **C) CLASSIFICATION according to FUNCTION**

Governance can be analysed within the frame of three important functions as political, economic and corporate. The relation among these three functions is in a structure similar to each other and is provided in Figure 2 with a single-centre scheme, in which the political governance contains the two other forms as the broadest ring. *Political governance* refers to the decision making process regarding public policies. This process provides institutional infrastructure for the form of management as well as the economic orientation. *Economic governance* expresses the decision making mechanisms and process composed by the nation-state and organizations, which increase the economic efficiency of an entity. In economic governance, the basics of the macro-economic structure are created in

---

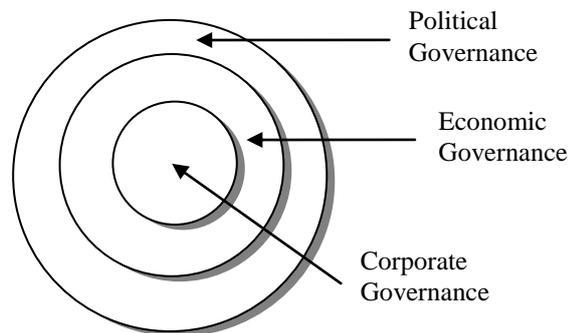
<sup>29</sup> AfDB – African Development Bank. (1993). *Governance and Development in Africa: Issues and the Role of the African Development Bank and other Multilateral Organizations*, Abidjan, Côte d'Ivoire.

<sup>30</sup> Wohlmuth (1998), s.1

<sup>31</sup> John GRAHAM and Elder C. MARQUES (2000). *Understanding Constitutions: A Roadmap for Communities*, Ottawa: Institute On Governance, s.17

parallel with the *market oriented* state proposition and a regulatory role is given to the state.<sup>32</sup>

*Figure 2: Single-Based Frame for Governance*



When these three functions are considered, it is seen that the main form of the governance, which is used in the study, is composed by the political governance. Political governance is a topic that can be collected under four different headings: (1) Superiority of law (equity of all people before the laws and individual freedoms) (2) Democracy (individual and collective freedoms including participation in political parties and non-governmental organizations pursuant to the constitution) (3) Equal opportunity for everyone (the non-transferable rights of an individual such as participating in the political process, which is free, reliable and democratic, in periodic election of the leaders) (4) Commitment to the principle of separation of powers (an effective legislation and protection of the judicial independence)

Economic governance involves the structure and implementation related with making and managing economic policies in particular. Economic governance gives importance to the transparency of financial management for minimising poverty and

---

<sup>32</sup> Cristopher O ORUBU and Patince O. AWOPEGBA (2004). Market Economies, Globalisation and the Role of Good Governance in the Development Process: Challenges for the Nigerian Economy, *Journal of Social. Sciences*, 9(3), s.169

supporting economic growth. Furthermore, the economic governance includes the implementation of *market oriented* arrangements which support the market efficiency, promote private sector's financial dynamism, control the public spending and enable the sustainable development. In addition to these, transparency in monetary and financial policies involving the budget and public debt management and the arrangements required for creating an effective banking sector are also within the subject of economic governance. The structure of political governance created effectively constitutes an infrastructure for a strong economy management and corporate governance. Political governance is important for an active and efficient public financing management, accountability and providing the consistency with the financial markets.<sup>33</sup> Besides, the political governance serves to the purpose of economic growth, too.

*Corporate governance* expresses the optimised designing of the structure for the responsibilities and relations among the shareholder, executive and board of directors for the companies to achieve to the required performance (competitive) for succeeding their preferential purposes. The principles constituting the corporate governance are shaped based on transparency, accountability and equity.<sup>34</sup> Among the sharers, there are shareholders, employees, financial resource providers, suppliers, customers and even the related members of the government and society. Company management is a structure considering the benefit/interest balance among these sharers.<sup>35</sup> Political and economic conditions of a country contribute to the determination of the corporate governance environment. Subjects such as economic status, financial environment, intensity of competition, banking system, development of property rights are the important factors designating the frame.

---

<sup>33</sup> ECA – Economic Comission for Africa. (2005). African Governance Report, Printed by the ECA Documents Reproduction and Distribution Unit, Addis Ababa, Etiyopya, s.3

<sup>34</sup> Ira M. MILLSTEIN (1998). *Corporate governance : improving competitiveness and access to capital in global markets*, a report to the OECD / by the Business Sector Advisory Group on Corporate Governance, Paris : OECD, s.13,20

<sup>35</sup> Robert A. G. MONKS and Nell MINOW (1995). *Corporate governance*, First Edition, Oxford, UK: Blackwell Publishing, s.9

### III. GOVERNANCE STRUCTURE AND GOOD GOVERNANCE

The concept of governance is not just a political concept.<sup>36</sup> The concepts of *good governance*, *institutional reform* or *institutions* are added to the neo-liberal programmes, which accept that the economy will be affected by social and political thinking, in the manner that will contain a more efficient implementation.<sup>37</sup> When the state focuses on orienting the mechanism in a certain political structure, it also underlines the communication (Figure 3) between the private sector and civil society actors. On the other hand, the concept of *good governance* is not objective, but a normative concept accepting the market standards and principles or at least considering the benefit of business world and shaping strong value judgements in favour of the state. With this thinking, even if the good governance is related to the public sector area, it bestows privileges on private sector compared to the public sector. The reason of this is the fact that most of the IFIs have a neo-liberal perspective containing free market structure as a world view and thereby requiring the state area to be narrowed.<sup>38</sup>

Figure 3<sup>39</sup> shows the relation among the state, market and civil society. Especially in developing countries, the relation gap between the state and the market on one hand and between the state and the citizens on the other hand continues. This situation results in the erosion of the opportunities providing a sustainable and fair development that provides the realization of sustainable economic growth, supports social justice and minimizes poverty. And the

---

<sup>36</sup> Isabelle JOHNSON (1997). *Redefining the Concept of Governance, Political and Social Policies Division*, Gatineau, QC: Canadian International Development Agency, s.2

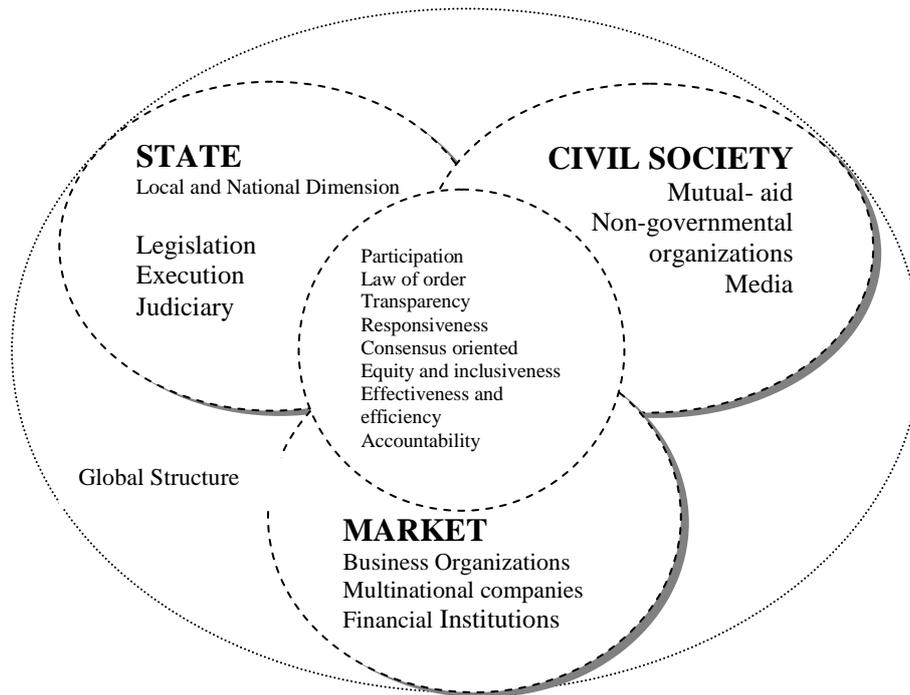
<sup>37</sup> Cynthia Hewitt de ALCANTARA (1998). Uses and abuses of the concept of governance, *International Social Science Journal*, 50(155), s. 107

<sup>38</sup> Wolfgang DRECHSLER (2004). Governance, Good Governance, And Government: The Case For Estonian Administrative Capacity, *Trames*, 8(4), s.389

<sup>39</sup> Figure 3 is prepared by getting inspired by the study performed by Martin (1998:5). The author puts the good governance characteristics that he's brought together in his study in the common area regulating the relations of three actors. And in the Figure, there is good governance characteristics used in the thesis. Besides, the figure is used in very different ways by various authors while representing the governance structure (Vigoda, 2002: 534; Plumptre and Graham, 1999:4).

emergence of a structure with the aforementioned features requires a democratic, modern and effective state.

*Figure 3 Governance Structure*



For covering this gap between the state and the market, the state supports economic growth; creates a regulatory frame which helps the effective operation of the markets. Fulfilment of these functions guarantees a macroeconomic environment. This situation indicates the capacity required by the consistency with the social and economic policies suitable for minimizing poverty and protecting environment. Moreover, these policies are described as effective, transparent and accountable. Therefore, there is a consensus that the public institutions are the main, even the most important factor for a sustainable economic growth.

Nevertheless, for covering the gap between the state and the market, the state must make progress on human rights, freedom of expression, protection of individual political rights and providing the participation of citizens in decision making mechanisms. This process concerning political freedoms and protection of the human rights can be achieved through securing the principles of superiority of law and providing the independency between different powers of the state. Governance has also changed the individual's perception of the state with the dimension including civil society. Individuals have come out of the concept of *citizen*, which is problematic for the neo-liberal policies, and passed into the position of *consumer* or *the customer of public service*.<sup>40</sup>

When it comes to the present day, it is rarely encountered that the word governance is used as the synonym of the word management/government anymore. Governance expresses the inter-organizational commitment and is a broader concept than the concepts of management or government because of involving the non-governmental actors. The change in the activity area of the state expresses the shifts among the public, private sector and civil society. Governance constitutes the ground of the network composed by these three different sections. The state has no privilege due to its sovereignty power, but it may orient this network through the regulations it makes directly or indirectly.<sup>41</sup> From the point of this structure, the role of the state is to provide the effective operation of the mechanism composed of three different sections.

Good governance, as stated, is a normative concept and is expressed by the circle at the centre showing the basics of the relation among the governance actors in Figure 3. These features also constitute the background of the largest circle contained in the figure. It should be mentioned that the frame of the good governance concept is shaped by the IFIs like World Bank, IMF, UN and OECD in 1980s. Based on the experiences of developing countries, IFIs presented the

---

<sup>40</sup> Vincent WRIGHT (1994). Reshaping the State: The Implications for Public Administration, *Western European Politics*, 17(3): 119

<sup>41</sup> R. A. W. RHODES (1997b). From Marketisation to Diplomacy: It's the Mix that Matters, *Australian Journal of Public Administration*, 56(2), s. 43

principles called as good governance. The eight different characteristics of good governance, presented by UNESCAP<sup>42</sup>, are generally accepted.<sup>43</sup>

## CONCLUSION

The concept of governance has a common use in different fields. This situation brings confusion with it. Therefore, the study begins with the definitions of governance. The definitions are divided into two groups as made by academicians and IFIs. There are two noticeable reasons for this distinction: (1) The definitions made by the academicians are mostly in technical aspect and refer to the self-operating mechanisms. And the definitions made by IFIs mostly underlie economic functions or development. (2) The IFI definition, whether considered globally or nationally, grounds on government activities. But in the definitions presented by the academicians, even the smallest social units are included in the definition.

For clearing the usage confusion for the concept of governance, a classification is made in the field of governance in the study. Thereby, it is tried to make the limits of the subject more significant. For this purpose, the concept of governance is categorised in three groups. Firstly, a distinction is made according to the dimension of management and governance definition is given place at the global, national and local level. Secondly, considering the form of implementation, areas of implementation are given place at macro, meso and micro scales. And thirdly, the concepts of political, economic and corporate governance are discussed. Lastly, the study

---

<sup>42</sup> UNESCAP - United Nations Economic and Social Commission for Asia and the Pacific, (2007). *What is Good Governance?*, s.3

<http://www.unescap.org/huset/gg/governance.htm> (Erişim 30.12.2007)

<sup>43</sup> There are also studies which evaluate the good governance characteristics in term of the discussed subject and contain variations, even if they are same basically. For example, Meadowcroft (2004:164) features the concept of participation and suggests that the participation constitutes the ground of the governance mechanism's operability. In a study by Campos and Nugent (1999:440), the good governance characteristics are in the nature of featuring the duties of public institutions.

refers to the governance structure containing the relation, norm and rules among the state, private sector and civil society.

In developing societies, there is a communication gap between the state and the citizen, and the state and the market. This situation prevents the effective use of the opportunities that will provide a sustainable economic growth, minimize poverty and accordingly realize development. The state should assume a regulatory role that will provide the effective operation of the markets for covering this communication gap between the market and itself. On the other hand, the state should issue democratic regulations for clearing the communication gap between the individual and itself and fulfil the political obligations on its part for maintaining the superiority of law and providing an effective public service.

Civil society plays an important role in clearing both gaps within the governance structure as a unit orienting the political, economic and social life. In the last part, the characteristics of the governance concept, which is a normative one, are discussed. 8 main good governance characteristics adopted by the IFIs, which are effective on the emergence process of governance concept, are as follows: Participation, law of order, transparency, responsiveness, consensus oriented, equity and inclusiveness, effectiveness and efficiency, accountability. These characteristics are considered as the basic principles recommended for clearing the communication gap between the state, private sector and civil society which are the actors of governance structure.

## REFERENCES

- ADB – Asian Development Bank. (1998). *Asian Development Bank Annual Report 1998*, Manila, Philippines.
- AfDB – African Development Bank. (1993). *Governance and Development in Africa: Issues and the Role of the African Development Bank and other Multilateral Organizations*, Abidjan, Côte d'Ivoire.
- ALCANTARA, Cynthia Hewitt de (1998). Uses and abuses of the concept of governance, *International Social Science Journal*, 50(155): 105-113.
- BOVAIRD, Tony and Elke LÖFFLER (2003). Evaluating the Quality of Public Governance: Indicators, Models and Methodologies, *International Review of Administrative Sciences*, 69(3): 313-328.
- CAMPOS, Nauro F. and Jeffrey B. NUGENT (1999). Development Performance and the Institutions of Governance: Evidence from East Asia and Latin America, *World Development*, 27(3): 439-452.
- DRECHSLER, Wolfgang (2004). Governance, Good Governance, And Government: The Case For Estonian Administrative Capacity, *Trames*, 8(4): 388–396.
- ECA – Economic Commission for Africa. (2005). *African Governance Report*, Printed by the ECA Documents Reproduction and Distribution Unit, Addis Ababa, Etiyopya.
- GRAHAM, John and Elder C. MARQUES (2000). *Understanding Constitutions: A Roadmap for Communities*, Ottawa: Institute On Governance.
- GÜZELSARI, Selime (2003). Neo-Liberal Politikalar ve Yönetişim Modeli, *Amme İdaresi Dergisi*, 36(2): 17-34.
- INSTITUTE On GOVERNANCE (1997). *The Governance Cooperative Capacity Map*, Ottawa.
- HYDEN, Goran (1999). Governance and the Reconstitutions of Political Order, R. Joseph, (Ed.), *State, Conflict, and Democracy in Africa*, Boulder, CO: Lynne Rienner.

- JESSOP, Bob (1998). The Rise of Governance and The Risks of Failure: The Case of Economic Development, *International Social Science Journal*, 50(155): 29-45.
- JOHNSON, Isabelle (1997). *Redefining the Concept of Governance*, Political and Social Policies Division, Gatineau, QC: Canadian International Development Agency,
- KAUFMANN, Daniel (2003) Rethinking Governance Empirical Lessons Challenge Orthodoxy, *Discussion Paper*, March 11th, 2003, The World Bank
- KJÆR, Anne Mette (2007). *Governance: Key Concepts*, Cambridge: Polity Press.
- KRAHMANN, Elke (2003). National, Regional, and Global Governance: One Phenomenon or Many?, *Global Governance*, 9(3): 323-346.
- LAFFERTY, William M. (2004). Introduction: form and Function in Governance for Sustainable Development, W. M. Lafferty (Ed.), *Governance for Sustainable Development: The Challenge of Adapting Form to Function*, 1-31, Cheltenham, UK:Edward Elgar.
- LOCKE, Wade and Stephen G. TOMBLIN (2003) Good Governance, a Necessary but Not Sufficient Condition for Facilitating Economic Viability in a Peripheral Region: Cape Breton as a Case Study, *Discussion Paper*, Sidney: The Cape Breton Regional Municipality.
- MARTIN, Ioanna Sahas (1998). *Building a Learning Network on Governance: The Experience of the Governance Cooperative*, Ottawa: Building Policy Capacity Publications, Institute On Governance.
- MEADOWCROFT, James (2004). Participation and Sustainable Development: Modes of Citizen, Community and Organisational Involvement, W. M. Lafferty (Ed.), *Governance for Sustainable Development: The Challenge of Adapting Form to Function*, 163-190, Cheltenham, UK: Edward Elgar.
- MILLSTEIN, Ira M. (1998). *Corporate governance : improving competitiveness and access to capital in global markets*, a

report to the OECD / by the Business Sector Advisory Group on Corporate Governance, Paris : OECD.

- MONKS, Robert A. G. And Nell MINOW (1995). *Corporate governance*, First Edition, Oxford, UK: Blackwell Publishing.
- OECD. (1993). *DAC Orientations on Participatory Development and Good Governance*, High Level Meeting on 13 and 14 December 1993, OCDE/GD(93)19, Paris: Development Assistance Committee.
- ORUBU, Cristopher O. and Patince O. AWOPEGBA (2004). Market Economies, Globalisation and the Role of Good Governance in the Development Process: Challenges for the Nigerian Economy, *Journal of Social. Sciences*, 9(3): 163-175.
- PLUMPTRE Tim and John GRAHAM (1999). *Governance and Good Governance: International and Aboriginal Perspectives*, Ottawa: Institute On Governance.
- RHODES, R. A. W. (1997a). *Understanding Governance. Policy, Networks, Governance, Reflexivity and Accountability*, Buckingham: Open University Press.
- RHODES, R. A. W. (1997b). From Marketisation to Diplomacy: It's the Mix that Matters, *Australian Journal of Public Administration*, 56(2): 40-53.
- ROBERTS, John M. And Fiona DEVINE (2003). The Hollowing Out of the Welfare State and Social Capital, *Social Policy & Society*, 2(4): 309-318.
- ROSE, Nikolas (1996). Governing "Advanced" Liberal Democracies, M. Bevir (ed.), *Theories Governance*, 355-378, London: Sage Publication.
- ROSENAU, James N. (1995). Governance in the Twenty-first Century, *Global Governance*, 1(1): 13-43.
- ROSENAU, James N. (1992). Governance, Order, and Change in World Politics, *Governance without Government: Order and Change in World Politics*, Eds: J. N. Rosenau ve Ernst-Otto Czempiel, 1-30, New York: Cambridge University Press.

- STOKER, Gerry (1998). Governance as theory: five propositions, *International Social Science Journal*, 50(155): 17-28.
- UNDP, (2005). *How to Guide: MDG – Based National Development Strategies*, New York: Poverty Reduction Group – Bureau for Development Policy.
- UNESCAP - United Nations Economic and Social Commission for Asia and the Pacific, (2007). *What is Good Governance?*, <http://www.unescap.org/huset/gg/governance.htm> (Erişim 30.12.2007)
- United Nations Commission on Global Governance. (1995). *Our Global Neighborhood*, Oxford: Oxford University Press.
- WANG, Henry (2004). *Socialism and Governance*, UK: Trafford Publishing.
- WEISS, Linda (1999). Globalization and National Governance: Antinomy or Interdependence?, *Review of International Studies*, 25(5): 59-88.
- WOHLMUTH, Karl (1998). *Good Governance and Economic Development: New Foundations for Growth in Africa*. Report from World Economics Seminar, Bremen University, Bremen: Institute for World Economics and International Management.
- World Bank (2004). Local Development Discussion Paper, for International Local Development Conference June 2004, Quoted from Human Development, Social Development, and Public Sector Management Networks. [www.worldbank.org/-publicsector/-decentralization/-LDDPfinalconferenceversion.doc](http://www.worldbank.org/-publicsector/-decentralization/-LDDPfinalconferenceversion.doc). (Erişim: 24.12.2007)
- World Bank (1992). *Governance and Development*. Washington, D.C.: International Bank for Reconstruction and Development.
- World Bank (1989). *Sub-Saharan Africa: From Crisis to Sustainable Growth, A Long-Term Perspective Study*. Washington DC: International Bank for Reconstruction and Development.
- WRIGHT, Vincent (1994). Reshaping the State: The Implications for Public Administration, *Western European Politics*, 17(3): 102-137.

- VIGODA, Eran (2002). From Responsiveness to Collaboration: Governance, Citizens, and the Next Generation of Public Administration, *Public Administration Review*, 62(5): 527-540.
- ZABÇI, Filiz Ç. (2002). Dünya Bankası'nın Küresel Pazar için Yeni Stratejisi: Yönetişim, *Ankara Üniversitesi Siyasal Bilgiler Fakültesi*, 57(3): 151-179.