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REVISITING GOOD GOVERNANCE: GOOD ENOUGH GOVERNANCE AND JUST ENOUGH GOVERNANCE APPROACHES AS A FUNCTIONAL FRAMEWORK FOR DEVELOPING COUNTRIES[1]

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ABSTRACT

The role of the state in development has undergone substantial changes under the influence of the New Institutional Economics. The new school, which grounds the emergence of the state as an institution on rational individual behaviors, assumes that the developmental state is not intervening and restricting but coordinating and developing. Influencing neo-liberal development economists, this view also holds that the complementarities are key between the state, market, and civil society, which shines out the goal of good governance more and more. However, the goal that includes comprehensive institutional reforms is far from being realistic and feasible for developing countries. These countries with limited resources need to rely on the improvement of institutional capacity while implementing economic development policies, considering diverse development stages and unique institution compositions. The present paper addresses the "good enough governance" and "just enough governance" approaches that emerge with the understanding of an effective state in economic development and are shaped around good governance but develop a critical perspective. In this respect, the study explores the significance of organizing the institutional reforms according to the states' existing institutional capacities and development levels, as well as determining the priorities transparently in the development process.

Keywords: *Economic Development, Governance, State, Institutional Capacity.*

Jel Codes: *D02, H11, Q10.*

1. INTRODUCTION

Economic development holds a notable place within the discipline of economics. Within traditional developmental theories, the question asked since Smith, "Why are some countries richer than others?", was attempted to be resolved by referring to the role of the state in the early 1950s. Yet, the shortages of the policies introduced around these theories began to stand out over time, leading state-centered approaches to become unsustainable in the face of growing problems in developing countries.

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In the post-1980 period, theories rocketing the market have gained great popularity, and the neo-liberal approach that considers the market as a cure-all has dominated the discipline of development.

However, worldwide growth has sharply decelerated in the post-1980 period, and the terms of trade for developing countries have significantly deteriorated. While the neo-liberal approach points to the benefits of the minimal state, the problems brought by the "weak states", which lack the power to regulate and tax the economy and cannot resist the political and social challenges from non-state actors, have led to more and more destruction (Acemoglu, 2005:1199). Therefore, such undesirable developments have necessitated the reconsideration of the state as an institution that holds power to fulfill the obligations arising from contracts, protect property rights, and mediate the functioning of the market mechanism.

The governance perspective focuses on the coordinating capacity of the state and its potential to consolidate market development. Whether the state or the market should steer economic growth is now an archaic dilemma (Weiss & Hobson, 1999:287). The state-market relation is no longer seen as a thesis-antithesis issue; an organic link is recognized between them. Such an acknowledgment becomes one of the essential elucidators of the interest in governance. The governance approach rejects simple dualities that dominate social sciences (e.g., market-hierarchy or private-public) (Jessop, 1998:31). In this respect, governance is not only based on a critical ground but also continues functioning as a complementary, third tenet of traditional approaches.

The influence of the New Institutional Economics (NIE) is often acknowledged in introducing governance as a critical theme in development economics. Development economists have drawn attention to the significance of institutional mechanisms for economic performance and development by relying on the fundamental concepts of the NIE, both in theory and in practice. Besides, the World Bank has an undeniable role in jumping into a new trajectory that emphasizes institutional reforms and encourages a participatory approach. The World Bank, which has been financing developing countries for many years, particularly appreciates the goal of good governance upon its "*concerns about the effectiveness of the development efforts it funds*" (World Bank, 1992:47). Another noteworthy factor that boosts the rise of governance is politics. In the last quarter of the twentieth century, the political atmosphere around the world underwent a pro-democratic change. While communist regimes collapsed, democratic tendencies and regimes in developing countries influenced one another (Carothers, 2002:5).

The rationale behind good governance is the fight against corruption, nepotism, and mismanagement in a way that is consistent with transparency and accountability and the effective use of aid to achieve the goal of alleviating poverty (Nanda, 2006:272). However, political decision-makers in developing countries grappling with the problem of resource shortages confront significant budgetary constraints. Therefore, focusing on specific reforms in one area may limit possible reforms in another area, which gives birth to inefficient results and limited benefits. The study sets off on the "good governance" approach, which includes comprehensive institutional reform objectives, and addresses the analysis of "*good enough governance*" and "*just enough governance*" approaches that are considered alternatives to and criticize the good governance agenda. The paper discusses that approaching the aim of improving institutions in a reductionist and comprehensive way may bring risks for developing countries and, thus, emphasizes the necessity of adopting a grounded attitude toward priorities and trade-offs.

2. GOOD GOVERNANCE AGENDA: FROM MINIMAL GOVERNMENT TO EFFECTIVE GOVERNMENT

Social sciences often enjoy the quite eclectic use of the concept of governance. It is noteworthy that performance measurements or institutional structures shine out in the definitions confounding interrelated or even intertwined meanings for governance. Williamson, (2000:597), one of the pioneers of the NIE, considers the concept of governance a subset of a broad institutional context, while development economists use institutional reform and improvement of the governance mechanism almost in the same sense. For example, Lin and Nugent (1995:2307) explain the concept of "institution" by referring to institutional arrangements in a narrow sense while actually making a closer definition of the concept of governance.

There is no single, universally accepted definition of governance; nevertheless, it may be asserted that it is often defined based on two perspectives. While the first of these refers to the coordination of interdependent activities, the second focuses on heterarchy (self-organization) (Jessop, 1998: 30-31). Although Stoker (1998:16) claims that the concept of governance is mostly adopted for rhetoric but fundamental reasons, he states that governance basically covers the following five propositions:

i. Governance is based on domination but goes beyond authority and refers to many institutions and actors.

ii. Governance identifies constraints and uncertainties in dealing with economic and social problems.

iii. Governance highlights the power dependencies among institutions engaged in collective action.

iv. Governance is concerned with networks between autonomous actors.

v. Governance also grants the government the power to perform other things besides the authority to govern and use force. A government may guide society using novel tools and techniques.

As it is used today, the first official definition of the term governance was coined in the report "Sub-Saharan Africa from Crisis to Sustainable Growth: A Long-Term Perspective Study" prepared by the World Bank in 1989. This report points out that the underdevelopment problems of Africa stem from governance issues. What is meant by governance issues is actually *governance crisis*, which includes the problems of political power in the management of the nation's affairs (World Bank, 1989:60). In the report titled "Governance and Development," which was also released by the World Bank in 1992, governance is denoted as the use of force by the government in the management of economic and social resources for development (World Bank, 1992:1).

The agenda of good governance is determined based on the framework proposed by the World Bank for governance, and its scope is gradually expanding. Good governance, which governs all economic activities related to production, distribution, and division in society and explains the structures composed of economic and political rules and connections, centers on the creation of an environment that promotes more equitable, more robust, and more sustainable development. The contemporary use of good governance is often associated with the World Bank and interpreted in administrative terms (Leftwich, 1994:365). In this sense, good governance includes an open and transparent policy-making process, a bureaucracy dominated by technocrats, an executive power that assumes responsibility for its actions, a strong civil society involved in public affairs, and the functioning of all these elements according to the rule of law (World Bank, 1994:vii). In addition, there is also a secondary conception of good governance within the political context. Accordingly, good governance includes the concerns of a robust administration and is based on competitive democracy. Good governance is perceived as a valuable goal as it is not considered an '*inseparable part of the new world order*' (Leftwich, 1994: 372) but a way to improve growth and development (Gisselquist, 2012:1).

Today, while the significance of governance is highly appreciated when designing a development strategy, it should be noted that countries do not have homogeneous conditions. On the other hand, conditions deemed necessary for good governance in development economics circles have diversified rapidly in a short time, and the good governance framework has almost turned into a '*wish list*' (Pomerantz, 2011:169). Considering the World Development Reports prepared by the World Bank, while good governance, which was an advisory to developing countries, was discussed under 45 items in the 1997 report, these items reached 116 in 2002 (Grindle, 2004:527). World Bank economists also accept that it is a reductionist, even impossible, attitude to attempt to cluster all the complex social, political, economic, and cultural interactions under the agenda of good governance (Landell- Mills & Serageldin, 1992:305).

Good governance is based upon creating governance mechanisms with a high capacity to respond to the needs of individuals. Thus, the World Bank, which proposes to think of governance from the opposite side, previously listed the easily recognizable features of weak governance as follows (World Bank, 1992:9).:

i. The lack of a clear distinction between public and private spheres and the tendency to sacrifice public resources for exclusive gain,

ii. Failure to establish a predictable legal framework and government attitude conducive to development or arbitrariness in the application of rules and laws,

iii. The extreme rules, regulations, and licensing conditions that disrupt the functioning of the market mechanism and encourage rent-seeking,

iv. Priorities that are inconsistent with development and prevent proper allocation of resources,

v. An overly narrow and opaque decision-making mechanism.

Rodrik (2006:976) utters that weak governance may be caused by a lack of capacity or willpower and that such problems are likely to create significant difficulties and, if any, will pave the way for an anti-development environment. The authority of governments is withered in such an environment. On the other hand, the decrease in compliance with the decisions and regulations in force either leads governments to populist measures or oppressive attitudes frequently encountered in authoritarian regimes. In both cases, expenditures for internal security and corruption increase, but the efficient allocation of limited resources deteriorates (World Bank, 1992: 10).

Thus, it may confidently be claimed that the difficulties in the practical implementation of good governance are quite emergent and that there are uncertainties about how to overcome such difficulties. Governance practices are hybrid practices that combine administrative systems, non-profit organizations (NGOs), and market mechanisms. Due to their nature, they are conceived of as practices that blur the boundaries between the public and private sectors, as well as within governments and between states, and are, therefore, difficult to coordinate. In the words of Grindle (2004:543), good governance is "*a laudable target, but a distant possibility for poor countries*." Therefore, countries may need to establish governance mechanisms within their past experiences and realistic targets, considering their existing institutional opportunities and development levels. Therefore, the next sections present how the "*good enough governance*" and "*just enough governance*" approaches aim to make good governance more functional and sustainable.

3. IMPROVING STATE CAPACITY IN THE FRAMEWORK OF GOOD ENOUGH GOVERNANCE AND JUST ENOUGH GOVERNANCE

The list of things to be done to promote development and reduce poverty in developing countries goes far. In general, the poor performance of governments on the way to development causes the country's scarce resources to be wasted in vain. Thus, not only is it not possible to fulfill the targeted public services but also poor citizens particularly fall into a disadvantageous position since necessary legal, economic, and social protection cannot be provided for them. Ultimately, Grindle (2004: 526) focused on presenting a functional framework without engaging in an ideological discussion and suggested the "*good enough governance*" approach. This approach prevents the proposed economic and political development from being hindered and allows poverty reduction initiatives, which indicates a minimum level of governance understanding that can meet acceptable government performance and civil society participation requirements. The "*good enough governance"* adopts the top priority of developing an approach that focuses on fortifying administration capacity. It is necessary to be transparent about priorities and trade-offs, recognizing that it is unrealistic to achieve all targeted outputs simultaneously. In this approach, which emphasizes the significance of setting achievable goals, countries are expected to focus on helpful and consistent policies in line with their unique conditions

"Good enough governance" is considered as an understanding that can leave theory in the background but has the potential to improve development practice (Pomerantz, 2011: 173). This approach proposes to avoid simplified and stereotyped structures and evaluate all possible governance variations in detail, taking into account the differences between countries. Accordingly, it is needed to act strategically about the priorities in the development process. Moreover, priorities should be settled based on the predictions about which actions can respond quickly and produce more efficient outcomes under what conditions. In this respect, the focus needs to be shifted to reforms that are in favor of the poor and more likely to be implemented and yield results in the short term, as well as considering practical and highly effective policies under current conditions. Although priority actions vary in nature by country, reforms aimed at ensuring political legitimacy and establishing order in failed or collapsed states should be those that need to be allocated resources (Grindle, 2007:554).

Identifying priority actions is political by definition, despite all its advantages for the sustainability of development policy. While providing basic conditions for access to public services or security is a priority for poor groups, donors may prioritize the efficient management of public resources and obtaining clear information about where the resources are allocated. Concerned with the possible political consequences of different kinds of reforms, politicians may prioritize policies that have the potential to increase satisfaction among their supporters. On the other hand, economic elites may prioritize changes that will help eliminate cumbersome bureaucracies, increase their profits and benefits through government, and improve their business assurance and capacity. These inhomogeneous groups, therefore, make it difficult to determine priorities and make conflicts inevitable. Although the interests of some may overlap, others may face great struggles. The more transparent and open the political system is, the easier it is for such conflicts to be shared with the public, discussed, and eventually reconciled (Grindle, 2004: 538).

Another alternative to good governance discussions is the "*just enough governance*" approach. Levy and Fukuyama (2010) define "*just enough governance*" by emphasizing the practicality of the conditions brought by the ever-expanding dimensions of the good governance approach. As in the good governance approach, it is ultimately aimed to transform economic growth into a comprehensive development path with its social, cultural, and political dimensions. However, it should be noted that "*just enough governance*" is only practical in conditions where the institutional structure and capacity are not overly restrictive, and the growth is driven by robust factors. It is also emphasized that a state with "*just enough governance*" is likely to have no need for a strong, developmental state to carry out a comprehensive development strategy (Levy & Fukuyama, 2010:33).

According to Fukuyama (2008:33), it is essential to ensure the continuity of growth while reforming institutions. In this respect, "*just enough governance*" may be considered a more feasible goal. Each institution is granted different scopes of authority, fields of activity, and roles within any development policy. On the other hand, Chibba (2009:94) emphasizes that the functions of institutions always remain under specific constraints within current policies and limited resources; thus, one needs to focus on the practical difficulties of the policies. This approach does not claim to be able to anticipate all the potential institutional constraints since, as economic growth continues, its social impact may deepen, increase the demand for new institutions, and trigger institutional change. Yet, this situation may create new pressures as well as extraordinary opportunities.

In the process of economic development, efficient institutions may become failed, while inefficient ones may survive for reasons such as exclusive and social costs or free-rider problems. In his book, *The Rise and Decline of Nations*, Olson (1982) coined the term "*institutional sclerosis*" while expounding how Germany and Japan grew and developed much faster than England despite being defeated and largely destroyed after World War II. In this definition, the disproportionate power of narrow interest groups may limit the development potential of countries (Aktan, Ay, & Çoban, 2007:15). While a more flexible and dynamic institutional structure is likely to enjoy development, politically powerful groups can resist the necessary reforms. The power can then ossify over time and prevent the needed or demanded structural reforms (Neyapti, 2022:285). Therefore, the institutional capacity of the state becomes decisive. While possible alterations in the distribution of power during the development process can conveniently be controlled by the state authority with strong institutional efficiency, it may be compelling for a state with a weak institutional structure to implement gradual economic reforms. In this regard, governments assume a critical role in institutional change (Ahrens, 1999:32-33).

The function of state capacity is of great importance in the establishment of "*just enough governance*." The problem of state capacity is directly linked with the economic development of fragile communities. For example, economic activities are suppressed in an economy where the state is mighty and the government imposes high taxes. In cases where the state is extremely weak, the government under-invests in public goods with the expectation that it will not be able to generate rent in the future. A state that lacks the capacity to increase its revenues and aid the markets cannot manage the economic development process (Acemoglu, 2005:1199). The countries with weak state capacity experience a high risk of internal and external conflicts, political instability, and dependence on natural resources. The most apparent feature of economic development is that strong states and solid market economies go hand in hand (Besley & Persson, 2010:1)

Elaborating on two dimensions of statehood, namely field of activity and power, Fukuyama (2015:30-34) states that a combination of a narrow field of activity and penetrative power (i.e., institutional efficiency) may be the most favorable setting for nurturing the development. A state's undertaking a series of activities that it cannot effectively perform without a basic level of institutional power (e.g., enacting laws or establishing order) and wasting limited resources may give birth to adverse developmental outcomes. The form of government that Acemoğlu (2005:1199) defines as a *"consensually strong state equilibrium"* or *Shackled Leviathan* (Acemoglu & Robinson, 2019) underlines the balance between the state's field of activity and power. Norms in the form of government, denoted as the *Absent Leviathan*, restrict one's productivity and freedom. Although the welfare is greater in the *Despotic Leviathan* - an oppressive state - than in the *Absent Leviathan*, freedoms are suppressed in this form of government too. The *Shackled Leviathan*, on the other hand, represents the amalgamation of participatory institutions and norms as well as centralized bureaucracies and legal traditions. In the *Shackled Leviathan*, society is granted significant control over the government: a state is always needed to produce welfare and freedoms, but society should act as a controlling and balancing mechanism for the state. (Acemoglu & Robinson, 2019: 87-88).

4. "SECOND-BEST" INSTITUTIONS AND RECOMMENDATIONS FOR DEVELOPING COUNTRIES

In the post-1980 period, privatization and deregulation have led to an erosion in states' field of activity and power. However, the problems introduced by the minimal state approach have revealed the significance of the legal order and properly functioning institutions. Rodrik (2009:43) underlines the principles of robust economic management and states that no country can achieve rapid and sustainable growth without solid monetary, property rights, and pro-market incentives. Thus, in the context of these fundamental principles, policies with a high potential to produce outcomes need to be implemented by focusing on which actions will be efficient and responsive. Besides, Rodrik, (2008:100) proposes to act with the "*second-best*" approach in developing countries. In other words, focusing on building the best institutions may overlook reforms that may yield targeted outcomes at lower costs, as well as lead to blind spots in practice, which also increase the risk of policy failure. Instead, focusing on the unique needs of the real economy and producing domestic solutions may be the best alternatives (Rodrik, 2009:102).

Political decision-makers may not integrate economic, political, and social strategies into official development plans and programs and not address the restrictions reasonably. In addition, Rodrik (2006:977) states that such plans and programs cannot be performed as desired even if embraced by political leaders in many countries, and even idealist reformers cannot undertake the necessary institutional changes. At this point, as suggested by Grindle (2004; 2007) and Levy and Fukuyama (2010), the ultimate benefit of determining the priorities becomes prominent in accomplishing goals in developing countries. Accordingly, reforms that will bring the greatest impact under the current conditions should be prioritized. While pursuing development-oriented policies, the relevant bodies determine more grounded and achievable goals and always evaluate alternative options in case of possible restrictions.

Besides the fact that the priorities for action differ by country, it should be noted that institutional capacity mediates efficient institutional preferences. Assuming the institutions as a wide spectrum (Djankov, Glaeser, La Porta, Lopez-de-Silanes, & Shleifer, 2003:615), this spectrum covers all alternative options, from private regulations not allowing state sanctions to state ownership not allowing private initiative. However, there may be conflicts between two major goals while designing institutions: controlling disorganization and limiting authoritarianism. The fact that the state assumes exclusive powers (e.g., the use of force or tax collection) grants it a superior position over other institutions. As a unilateral decision-making institution, the state produces public goods and services and internalizes market externalities. However, some states severely fuel their authority while using force and establishing order. Besides, societies that are afraid of chaos may prefer Hobbes' absolutism, but attempting to control chaos may push them toward a great dictatorship (Djankov et al., 2003: 598).

Therefore, developing countries are better to set out from their unique institutional opportunities rather than idealized market and state criteria when deciding on the reforms. A comparative approach to country-specific opportunities and constraints provides a useful framework for economic development. The institutional choice suitable for a country depends on the current circumstances of that country. Considering the existing institutional structures, states need to determine the starting point of the development process and take their reform decisions based on this starting point (Dixit, 2009:6). To give an example, it all clear that the institutional capacities of modern China or Sweden are superior to those of Albania or the Republic of the Congo. Then, a country with a superior institutional capacity is likely to achieve successful outcomes whether it pursues free trade policies or socialism. However, a country with institutional inadequacies may not be able to secure property rights if it adopts dictatorship or anarchy (Djankov et al., 2003: 599).

On the other hand, institutional reforms applicable to countries in early or advanced stages of economic development are inherently different. Considering a low-income country with hardly any positive growth, the ideal starting point would be introducing a policy to remove the barriers to growth. While it is important to develop formal institutions in high-development countries, informal institutions can produce more efficient results instead of formal institutions that bring high fixed costs in early-development countries. Thanks to their better expertise and more comprehensive knowledge, informal institutions can even protect the existing government against itself when it becomes insufficient. On the other hand, attempts to strengthen third-party enforcement in a relational contract-intense environment may bring more harm than good. Following such attempts, some companies in the market may disregard the reputation of their suppliers by relying on the courts, which undermines the disciplinary elements that prevent opportunistic behaviors in relational contracts. Besides, persistent ignorance of acts of the courts may increase the transaction costs (Rodrik, 2008a:101). However, as the level of development increases, traditional norms become less and less effective, and formal institutions replace informal ones.

The state also assumes more and more responsibilities in the production and distribution of public goods and services or tax collection.

At this point, the objective evaluation of the current level of development seems critical. Prior to the implementation of wide and comprehensive reforms, the availability of prerequisites should be discussed, and any strategy should be developed considering the existing institutional capacity. If there is a need to prioritize daily problems and the costs of doing business and social risks are too high in the development stage, the top priority is then to prevent stormy internal conflicts (Grindle, 2004: 537). In this sense, there is a need for an institution that can arbitrate potential disputes and protect property rights in case of conflict, and the ideal institution to fulfill this task seems to be the state (Acemoğlu & Robinson, 2019: 173). Therefore, it can confidently be asserted that economic incentives are largely absent in an environment where the state power is weak. It may be an unrealistic goal for countries without basic institutional infrastructures (e.g., delivering public services to the poor majority and effective management of public resources) to undertake relatively difficult governance reforms (e.g., transparent budgets and accountability). If the starting point of a country in the development process is dynamic, small changes in institutional arrangements bring unprecedented impacts. Yet, inappropriate starting points carry the risk of failure of these changes. The 1997-1998 Asian crisis may be shown as one of the most striking examples of the proposition above. Liberalization reforms implemented without regulatory agencies to guide markets have been devastating for many developing countries since the conditions necessary to initiate growth and those for maintaining growth are all different. Improving financial intermediation cannot help increase investment if constrained by weak property rights. Moreover, improving institutional quality does not work either in the case of high capital costs. Overall, knowledge and experience of the nature of country-specific binding constraints appear as an integral part of the reform process (Rodrik, 2006: 977-987).

According to Stoker (1998:23), the perspective of governance is like a location and history-specific map. Similar to all maps, it sheds light on policy choices through a lens that simplifies the complex reality but does not become simple in essence. Admittedly, it is hard work for the state to enhance its institutional capacity without becoming authoritarian. Rapidly granting more political participation rights to citizens by states implementing pro-development policies may cause redistribution problems and increase rent-seeking activities (Fukuyama, 2008:29). While the wave of democratization in the early 1990s produced dominant power systems in Africa, democratization brought an unworthy pluralism in Latin America and many post-communist countries. At about the same time, South Korea and Taiwan demonstrated successful examples of a developmental state and established an egalitarian and inclusive growth environment under an authoritarian regime. Weiss and Hobson (1999:293) point out that these states achieved dynamic development not by distancing themselves from society but by establishing institutional ties with the critical actors of the market. Then, the ties not only increased the political legitimacy of these states but also prompted the strategic thinking capacity of the policy-making elites. Different degrees of bureaucracy in these East Asian countries were transformed into a capacity to coordinate industrial change (Weiss & Hobson, 1999: 24); as a result, it was easier to develop clear and transparent rules in East Asian countries than in other countries[2].

Carothers (2002: 7-12) refers to this situation as "democratic fermentation." Adopting a sequential approach, Carothers claims that democratization consists of a series of stages. Prior to being democratized, a society must satisfy specific prerequisites, such as the availability of a well-functioning state and the rule of law. Moreover, a competent state with robust institutional capacity is needed to carry out fruitful economic policy. Yet, pro-democracy movements may yield adverse consequences, and the transition to a democratic regime may not be successful in societies that cannot meet such prerequisites and are not sufficiently ready for democratization. Thus, it is rather challenging for institutions that have been imported or established in a reductionist way based on conditionality to be successful. The transition to democracy may be pretty painful in states without experience of democracy and not having invested in their political institutions. Besides, poor social expectations during the transition to democracy are likely to produce an unexpected state of tension. Hence, the benefits and harms of the transition to democracy need to be evaluated within the historical contexts of the countries. The state's competence in terms of legitimacy and authority and the level of social demand for these reforms need to be objectively addressed before undertaking wide-ranging reforms. Insufficient demand for institutions and unsound commitment to reforms make it difficult to identify an accurate starting point while developing an appropriate development strategy. Thus, an active civil society should be encouraged so that there is sufficient demand for institutional change that can stimulate development dynamics. Since the state, market, and civil society have complementary relations, NGOs should be supported as a driving force for promoting development and creating a common living space (Derici Temel, 2020:235). For long-term growth and development, the institutional change process should be carried out considering current conditions.

5. CONCLUSION

Development is a multifaceted phenomenon with economic, cultural, social, and political aspects. While development makes interactions between these interconnected dimensions inevitable, it also requires political decision-makers to think strategically to be able to integrate all these dimensions and anticipate the goals.

In the post-1980 period, making the development completely market-indexed by excluding the state within the minimal state approach has caused significant socio-economic problems. The fact that

[2] Among the most stunning examples of ensuring a painless transition to a democratic regime is the rule of law and stance against corruption in South Korea. The suit brought against Pyong-Chol Yi, the founder of Samsung, in 1964 is notable in this regard. At that time, a scandal broke out that Yi's son, who established the Kook fertilizer factory that was one of the biggest projects of the period, and his senior managers smuggled raw materials for fertilizer production from Japan. President Park immediately seized the incident and launched a major investigation into his unfair advantage. Following the investigation, Yi donated 51% of the factory shares to the state (Göbekoğlu et al., 2012: 46).

the small state is referred to with poor institutional capacity has highlighted the importance of state capacity and institutional competence in promoting private sector investments. In this context, the emerging good governance agenda is often concerned with what governments should do to better organize their political, administrative, and financial structures. However, it is well-known that poor countries have the deficient capacity to fulfill such commitments, and some even lack basic legitimacy. Then, the "*good enough governance*" and "*just enough governance*" approaches offer a more grounded framework for developing countries. These approaches point to the interactions and necessary trade-offs between the political, social, and economic constraints and dynamics encountered while determining optimal policies within a development strategy. They also focus on revealing the development dynamism and alternatives that will hinder development the least. On the other hand, the decisiveness of a state's development level is always considered in the implementation of the right institutions and governance mechanisms for development. Hence, the institutional reforms to be implemented, as well as the formal and informal institutions within the existing governance mechanism, should be addressed while enhancing institutional capacity.

Developing countries struggling with the problem of resource shortages should act strategically on what and how it will be beneficial by drawing lessons from their past policy experiences in line with their unique conditions and current level of development. A significant prerequisite for building a successful development policy is to consider the institutional structures and norms that bear traces of the past. The state of being "late" in underdeveloped countries harbors a pathological sense of guilt and causes them to perceive their rules and institutions as archaic (Ünsaldı, 2014:82). However, this assumption may create an illusion that development can only be achieved by importing the institutions of developed countries. Considering successful development examples in East Asia, the countries have not abandoned, excluded, or ignored domestic institutions for the sake of imported institutions. On the contrary, imported institutions have been functionalized and shaped according to the needs and demands of these countries (Fukuyama, 2015:124).

Governance is not unidirectional and does not evolve mechanically over time; thereby, it is necessary to focus on its multidimensional and continuous characteristics while designing novel institutional arrangements and reforms. At this point, it seems essential to designate which governance mechanisms are effective and to what extent. Comprehensive institutional reforms to make an ample change in institutional capacity may be costly; thus, the priority for developing countries is to focus on short-term solutions that will yield helpful outcomes. Priorities should transparently and fairly be determined and ordered considering the starting point of the reforms. Furthermore, an appropriate incentive mechanism should be built on the basis of establishing a balance that will contribute to both the state's power and the society's capacity to control state power (Acemoglu & Robinson, 2019: 87-88). Finally, each country's governance mechanisms are not identical; thus, states need to adopt unique institutional preferences.

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