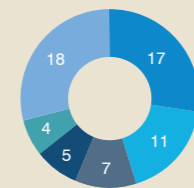


Chart 1. Five main governance - related thematic focus areas of proposals [ODI]



■ Political participation and empowerment
 ■ Transparency
 ■ Corruption
 ■ Accountability
 ■ Rule of law
 ■ Other

Chart 2. Five main governance - related thematic focus areas of proposals [CIDP]



■ Access, participation and voice
 ■ Corruption and transparency
 ■ Rights
 ■ Government effectiveness
 ■ Rule of law
 ■ Other

To be sure, ODI's and CIDP's lists of proposals are neither exhaustive nor representative of a fully comprehensive view on what different actors think about the role of governance post 2015. While many actors' positions are yet to be determined, the proposals already submitted tend to stress the importance of legitimacy, rights-based, and access issues, as well as the importance of well-functioning institutional frameworks to address crosscutting development issues. How to reflect these appropriately in the post 2015 development context should be considered.

06 Good governance as goal or as crosscutting issue embedded in other goals?

There are two main ways to integrate governance into post 2015 global goals. One way would be to establish a separate governance goal category, with its own targets and indicators, in order to underpin and enable effective implementation of the other goals. Sachs (2012) illustrates one example of this approach. The second option would be to incorporate a number of relevant governance targets and indicators (such as participation, transparency, institutional coherence, etc.) throughout the other goals. In either case, the governance goals/targets/indicators would be related to social, environmental and economic dimensions of development, and they would also be differentiated depending on countries' specific conditions. Civil society stakeholders may also develop their own goals. This issue brief recommends that there should be a strong role for governance in the post 2015 development framework, and that either of these options could be an effective way to do this.

To be sure, better governance is not a silver bullet, and certain limitations need to be recognised. Institutionalizing the various dimensions of governance does not guarantee that development goals will automatically be achieved, as other factors also play a role. Moreover, although there may be a correlation between governance and sustainability, it does not necessarily indicate causality; in some cases achievement of some aspects sustainable development itself may lead to better governance practices and not vice-versa. Moreover, it is important to emphasise that the applicability of particular governance mechanisms may vary depending on each country's specific situation. So even where a strong correlation between an aspect of governance and an aspect of sustainable development is identified for one country, the result is not necessarily universally applicable. Thus, more country-specific research would be necessary to determine appropriate governance goals and/or indicators in specific cases. Moreover, additional policies and measures are clearly necessary to shift the economy towards a more sustainable orientation, such as decentralization, budget reform, investments into better education, research, capacity building etc. Finally, better governance is not a quick fix. Governance improvements will take time to establish and even longer to affect outcomes. The design of good governance targets and indicators could adopt a similar phased approach, acknowledging that the fruits of improving governance will take time to mature.

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Acknowledgment

The research for this issue brief was supported by the Environment Research and Technology Development Fund (RF12-01) of the Ministry of Environment, Japan.

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IGES Issue Briefs on SDGs

Sustainable Development Goals

The Role of Governance Post 2015

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Main messages

- Good governance can help improve the effective implementation of development policies. The MDGs focus on quantifiable outputs has contributed to a certain level of achievement, but they do not explicitly focus on good governance;
- There should be a strong role for governance in the post 2015 development framework. Both the Open Working Group (OWG) on the SDGs and the Finance Working Group should consider governance in their proposals;
- An increasing number of proposals for post 2015 development goals emphasise the importance of including governance, suggesting either of two main options: (i) a number of governance-related targets and indicators could be mainstreamed across all relevant goals; or (ii) governance could be a goal in itself with appropriate targets and indicators.
- The crosscutting aspects of social, economic and environmental development require cooperation and coordination among stakeholders and governmental departments at all levels. Good governance mechanisms can enhance such coordination.

01 Purpose and focus

This issue brief will discuss the role of governance for development to inform the ongoing processes to establish post 2015 development goals. Governance is important because its various dimensions have a large influence on the extent of implementation of development goals. Here, governance is defined in a broad and inclusive manner.

Box 1 Definition of governance

Governance refers to how societies share power, through structures and processes that govern individual and collective decisions and actions. Governance is not the sole domain of governments, but involves multiple actors, including the private sector, non-governmental organizations (NGOs), and academia. Governance includes laws, regulations, policies, institutions, partnerships, public debates, political parties, public participation and consultation processes, demonstrations and protests, strikes and other union actions, the judiciary, and other decision-making influences (IGES 2012).

Common dimensions of governance include participation, accountability, transparency, access to information, rule of law, human rights, etc. The World Bank adds political stability and absence of violence, government effectiveness, regulatory quality, and control of corruption.¹ In general, the sustainable development discourse has focused more on procedural aspects of governance rather than specific forms or outcomes. Some important expected functions of governance in promoting sustainable development include: a) integration of sustainable development into other policies and sectors, b) enhanced coordination between ministries and sectors, c) enhanced coordination between different levels of government, particularly national and local, and d) greater monitoring, reporting, and access to information in order to promote accountability (Elder 2013).

¹ The World Bank's list also includes voice, accountability and rule of law.

02 Good governance in the context of development

It is commonly accepted that governance plays an important role in development outcomes. Agenda 21 highlighted the importance of governance through its call for the creation of national sustainable development strategies and related councils. Governance was also one of the two main themes of Rio+20, which discussed how to improve the institutional framework for sustainable development. Academic research has more concretely examined the correlation between quality of governance and effectiveness of institutions, transparency and accountability on the one hand, and achievement of education, environment, health and water related development goals on the other (Transparency International 2010). Many concrete examples can be found, such as bribes required for access to education which limit access for those that cannot afford them; over-priced or dangerous medicines which either put people at risk or limit access; or the high cost of water in the informal sector, compared to on-grid provision (Corporate Governance Framework 2012). Poaching or illegal logging of exotic wood species are other examples of environmental and developmental harm caused by lack of good governance. The financial impact of corruption is also significant. Developing countries lose up to 10 times more funds to corruption than they receive in official ODA, and it is estimated that corruption costs more than 5 percent of global GDP (UNDP 2012).

Development could be achieved more effectively, if stronger governance mechanisms such as increased transparency and accountability are implemented in a nationally appropriate manner. Good governance for development is important not only for external financing, but also to enhance the effectiveness of domestic financing. Acknowledging this, the 2005 United Nations Convention against Corruption (UNCAC) is highlighted in paragraph 266 of *the Future We Want* (Rio+20 Outcome Document), encouraging governments to ratify or accede to the convention as well as take action to combat corruption and improve governance domestically (United Nations 2012a).

Given the relationship between governance and development, the Open Working Group (OWG) on the sustainable development goals (SDGs) should incorporate governance in its proposal for a future development framework. Some aspects of good governance could equally be addressed by the Finance Working Group, as good

governance is also important for the effective delivery of development finance. Moreover, good governance facilitates Foreign Direct Investment (FDI). Countries that score poorly on corruption and transparency indexes are not usually as attractive for foreign investment as those that score better (UNCTAD 2004), while good governance, especially in the areas of regulatory quality, government effectiveness and rule of law, seems to attract more FDI (Chandra and Yokoyama 2009).

03 Governance in the evolution of sustainable development

The importance of governance for planning and adoption of integrated approaches to deal with the environment/development nexus was recognised already in the early 1970s.² Governance was also incorporated into Agenda 21. Chapter 8, Section 8.7, called for governments to adopt national sustainable development strategies to enhance integrated planning, decision making and implementation of development, while Chapter 40 called for the creation and use of sustainable development indicators. The Earth Summit also created the Commission on Sustainable Development (CSD), a governance mechanism to oversee the implementation of Agenda 21. Thus, governments agreed that governance was important for creating an enabling environment to achieve sustainable development.

The CSD also oversaw the creation of sustainable development indicators. Initially, there were 134, which were later reduced to 58 core indicators. They were meant to guide national level decision making and were built on a conceptual framework with social, economic, environmental and institutional themes. The fourth theme consisted of conflict, refugees and governance and reflected the importance of the institutional aspect for sustainable development delivery. Despite the fact that the indicators were indeed used in some countries' policy making, they were never able to achieve a matching crosscutting policy agenda at the international level. In most cases, the indicators were never successfully mainstreamed by the governments or integrated into the work of national statistical offices (Pinter et. al 2005). Perhaps this lack of integration was a result of the CSD's failure to attract governmental representatives from all three dimensions of sustainable development and thereby achieve a solid link to the mainstream policy agenda (United Nations 2013). In the context of new development goals, it may be useful to revisit such earlier indicator setting efforts to provide lessons on how governance can be measured in the context of the SDGs.

The Rio+20 Summit in June 2012 placed renewed emphasis on governance as an important means to promote sustainable development. The discussion on the institutional framework for sustainable development resulted in the call to create new UN bodies such as the High Level Political Forum to replace the Commission for Sustainable Development (CSD). The intention is to create a stronger high level body which can attract decision makers from multiple sectors. This is a crucial step for integrating the three dimensions of sustainable development, and something which the CSD did not succeed in doing. Another example of the renewed focus on governance is the establishment of universal membership in the United Nations Environment Programme (UNEP) Governing Council, which was recently transformed into the UN Environment Assembly. Universal access to decision making for UNEP is expected to enhance the legitimacy and effectiveness of the environmental dimension of governance (Olsen and Elder 2012). Rio+20's call to create Sustainable Development Goals itself contributes to governance, as goal setting helps to promote accountability.

The crosscutting nature of development challenges in particular is generating increased interest on institutional/governance mechanisms to improve coordination. Post 2015 global goals should reflect the importance of linkages among the three dimensions of sustainable development. The overarching issue of poverty eradication, also reflected in MDG 1, will remain crucial for sustainable development. However, a sectoral approach may not suffice to address crosscutting issues. An integrated approach to poverty eradication and environmental sustainability may be more effective, but it will also require contributions from different levels of society and from different actors. Governance mechanisms that can promote cooperation across sectors and institutions will be important to help address development challenges in an integrated manner.

² See for instance the *Founex Report (1971)* prepared by Maurice Strong and a team of experts, which more than 40 years ago discussed the environment/development nexus as well as the need to go beyond GDP. <http://www.stakeholderforum.org/fileadmin/files/Earth%20Summit%2012new/Publications%20and%20Reports/founex%20report%201972.pdf>

04 Experiences from earlier goal- and target-setting processes

Experience from implementation of the MDGs show an overemphasis on quantity over quality of outcomes, as the example of education aptly illustrates (Sumner and Melamed 2010). Moreover, MDG 8, which essentially focuses on one aspect of governance, lacks concrete timelines for delivery (UNDP et. al. 2012). These features may partially be explained by the fact that traditional donor-recipient relations influenced the creation of the MDGs, and therefore the agenda was to a large extent determined by that community.

However, the development discourse is now becoming more horizontal, as reflected in the 2005 *Paris Declaration on Aid Effectiveness* and the related Busan Conference in 2011. Increasingly countries and stakeholders wish to take more ownership and responsibility to direct their own development according to their particular context. This more active involvement in shaping development discourses can also be observed in the process to create the OWG on the SDGs, which due to countries' keen interest to join, took longer than expected. Access to and participation in the process itself are becoming more important, which may be related to the trend towards increasing interest in governance.

In the context of the MDGs, Fukuda-Parr (2008) analysed Poverty Reduction Strategy Papers (PRSPs) that were requested by the International Financial Institutions (IFIs) in order for developing countries to receive debt-relief and aid. She found that the two processes were not sufficiently linked, and that therefore the MDGs in some cases were insufficiently reflected in countries' development strategies. The PRSPs did refer to governance issues, but most often these were focused on measures for decentralization and rule of law. These aspects are important for good governance, but less emphasis was placed on creating mechanisms to promote other aspects, especially those relating to legitimacy such as participation and access to information. Such elements, including democracy, good governance and human rights were an integral part of the Millennium Declaration, but ultimately they were not reflected as goals or targets in the MDGs. The current process should include them explicitly.

Moreover, international financial institutions (IFIs), including the Bretton Woods Group (BWG), should be more closely linked to discussions on governance in the post 2015 context. Their cooperation is very important for integration of sustainable development issues into national development policies, and greater cooperation and synergies with other UN bodies is desirable, especially due to the BWG's key role in financing for development (Hydén 2011). In addition, they have already been developing their own initiatives related to governance, and these should be taken into account in related global discussions.

05 Governance in current global discussions on post 2015

Governance is becoming an increasingly important focus of current discussions and specific proposals on SDGs and Post 2015 by various stakeholders. The Overseas Development Institute (ODI 2013) and the Canadian International Development Platform (CIDP 2013) maintain compilations of these proposals. Key governance-related issues mentioned in these proposals are summarized in Charts 1 and 2.³ The most commonly mentioned aspects relate to access, participation and voice (17 occurrences in ODI's sample and 13 in CIDP). The second most common issues are corruption and transparency, which occurred 11 times in ODI, and 17 times in CIDP.⁴ Rights (both human, civil, workers' and women's rights) were mentioned seven times in the ODI sample, while accountability appeared six times in CIDP. Government effectiveness occurred five times in ODI's samples and rule of law four times in both surveys.

³ Although many issues were reflected in relation to governance, the charts include only the five mentioned most often. The sum of the remaining contributions is added under the category "other" in order to demonstrate the interest in governance. These categories included 18 and 13 occurrences, respectively.

⁴ For ease of comparison the authors combined corruption and transparency under one cluster.