

Chapter 3

Developing a Governability Assessment Framework in the Context of Resilience Building in Small States

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3.1 Introduction

All societies have encountered and still encounter challenges in governing themselves. Recent episodes such as the global economic and financial crisis, as well as the Arab Spring and numerous examples of failed states, clearly show that governing is not an automatic process. Irrespective of country size or the level of development, governing presents real challenges.

These challenges have been emphasised or exacerbated by a number of transformations in contemporary societies. The deepening and widening of globalisation have increased the complexity of policy problems as well as the interdependency of policy actors, levels and areas. The rise of civil society actors in the policy-making process has also increased pressures on governing and the increasing use of social media has increased both public participation and scrutiny.

In view of the above transformations, it can be concluded that the emerging pattern in national and international politics is rules without rulers and governing without government. In a word: governance.

Over recent years, governance has increased in popularity both in academic literature and as a policy prescription. However, as a concept it is broad and means different things to different people. At its most general, governance in the public sector is about steering and control of society and the economy through collective action that aims to achieve common goals and objectives. It is for this reason that it is seen as a cornerstone in increasing a country's ability to adapt and withstand a negative shock. This ability is referred to as resilience (Briguglio et al. 2006).

All countries want to increase their resilience, especially countries that are inherently vulnerable to external shocks. As evidenced by the literature, small states are among the most vulnerable economies and therefore resilience building is a priority for all small states.

Given that governance has been strongly associated with resilience, this chapter seeks to shed more light on the concept. In this study, governance is built on the basis of the interactive governance model which defines governance as 'the whole of public as well as private interactions taken to solve societal problems and create societal opportunities. It includes the formulation and application of principles guiding those interactions and care for institutions that enable them' (Bavinck et al. 2005).

Although interactive governance still has a basic interest in steering the economy and society, it approaches this problem by a different route from that associated with traditional forms of governing analysis. In fact, this study sees governance as being born out of a socio-cultural context and includes both the formal and informal traditional structures.

Given this ecological view of governance, the chapter develops an assessment framework that, besides being holistic in nature, and not solely based on the Western style of government, is able to capture examples of best-fit governance and chart a reform process for countries.

After reviewing the main literature on resilience in section 3.2, the chapter moves to give an overview of the literature of governance in section 3.3. The interactive governance model, which forms the basis of this chapter, and other governance models are described in section 3.4. Moving on, section 3.5 gives an overview of the governability assessment model that is being presented in this study. Sections 3.6 and 3.7 give a detailed analysis of the main components of the assessment framework while section 3.8 illustrates the governance framework using Malta as a case study. Section 3.9 concludes.

3.2 Resilience

Countries today face numerous challenges. Economic globalisation, migration, demographic changes, environmental issues and climate change are placing all countries, no matter their size or wealth, under constant pressure. The recent economic and financial crisis has not only uncovered the high level of interconnectedness between economies and the volatility of the global economy, but underscored the need for effective political capacity to steer policy. It has shown that all countries are vulnerable to global economic shocks in a globalised world. We also know that some countries, particularly small states, are inherently vulnerable to external shocks (Briguglio 1992, 1995, 1997, 2003). What matters in today's world is the strategy and capacity to respond to these adverse shocks. This ability to respond is described by Briguglio et al. (2006) as resilience.

Resilience refers to a country's ability to recover quickly from a negative external shock, a quality to be nurtured. Resilience takes on greater significance in countries that are inherently more exposed to external shocks such as small island states. In this context, it is indeed a pre condition for economic growth and development. By building resilience people, communities and governments will be equipped with the capacity to cope, take action and rise to the challenges of the twenty-first century.

Building resilience is a transformative process that builds on the capacity of individuals, their communities and institutions to lessen the impacts of shocks, internal or external, natural or man-made, economic, health-related, political or social. Briguglio et al. (2006) argue that economic resilience depends upon appropriate policy interventions in four principal areas, namely macroeconomic stability, microeconomic market efficiency, social development and governance. Good environmental management, a concept that was not included in the original index, is also considered a contributor to resilience.

The literature suggests that good governance has an important and central role in building resilience, especially in small island states (Briguglio et al. 2006). Building on these findings, Fabri (2007) found a significant development dividend of good governance where any improvements in governance would lead to a multiplier effect in per capita incomes.

Given the importance of governance in resilience and in economic development, further emphasis on governance is warranted. The analysis of governance will be dealt with in the following section.

3.3 Governance

This section focuses on the concept of governance, starting with a brief literature review and overview of the measurement of governance in the literature. This is followed by a discussion of the issues with current *governance* theoretical models and conceptualisations.

3.3.1 The literature

Governance has become a key concept in policy debates, international fora and the social sciences. However, apart from the universal acceptance of its importance, differences prevail in respect of theoretical formulations, policy prescriptions and conceptualisations of the subject itself. In fact, the term *governance* has different definitions and formulations among researchers and policy planners.

The modern outlook on governance focuses more on the co-ordination issues and the various forms of formal and informal types of public–private interaction, giving particular importance to the role of policy networks (Peters 2000). This distinction is mirrored by Rhodes (1997), who argues that in the state-centric approach, referred to as ‘old’ governance, the main research problem is to capture the extent to which the state has the political and institutional capacity to steer society and how the role of the state relates to the interests of other influential actors. Conversely, in the new or society-centred approach, attention is drawn upon co-ordination and self-governance. The shift from one approach to the other is mainly due to the fact that what were previously indisputably roles of government are now increasingly seen as more common societal problems which can be resolved by political institutions and by other actors too.

It is therefore evident that political institutions no longer exercise a monopoly of the orchestration of governance (Marsh and Rhodes 1992; Smith 1993). Thus, the conventional, state-centric image of politics and the role of the state in society appear to account for less of contemporary patterns of power and authority due to changes in both the internal environment and also in an era of globalisation (Boyer and Drache 1996; Camilleri and Falk 1992).

A number of governance conceptions have developed and one particularly important category of literature views governance as a socio-cybernetic system (Kooiman 1993). This system highlights the interdependence among social-political-administrative actors and governance is therefore the result of interactive social-political forms of governing. This approach to governance contradicts the traditional notion of

governing by a central actor, claiming that there is no longer a single sovereign authority. In contrast, there is a great variety of actors specific to each policy area. The system assumes that when formulating policies there is interdependence between the actors as the boundaries between public, private and voluntary sectors have become blurred. In this case, the task of government is to enable socio-political interactions and to encourage arrangements among several actors in order to facilitate decision-making.

The socio-cybernetic system perspective gives rise to a number of propositions which underpin the governance analytical model that is being proposed and developed in this chapter. In this study, the term *governance*:

- refers to a complex set of institutions and actors that are drawn from government but also from beyond it;
- transcends formal institutions and rests on the importance of informal rules too;
- recognises the blurring of boundaries and responsibilities for tackling social and economic issues;
- identifies the power dependence involved in the relationships between institutions involved in collective action;
- is about autonomous self-governing networks of actors; and
- recognises the capacity to get things done which does not rest on the power of a government to command or use its authority. It sees governments as able to use new tools and techniques to steer and guide.

The above propositions will form the foundation of the theoretical basis of governance for the governance assessment framework that will be presented in this chapter.

3.3.2 Measuring governance

Just as governance as a concept is broad and wide-ranging, the indicators purporting to measure it are also varied. Methods that attempt to measure governance can be broadly categorised under two main headings: process or performance measures. Whereas the former type of measure tries to capture specific institutional arrangements, the latter involves assessments of government effectiveness. The key difference is in the extent of judgement that is used in the compilation of such indices. A greater degree of valuation and judgement is required for the process indicators.

Although comparative literature pioneered by the works of Knack and Keefer (1995), Mauro (1995) and Alesina (1998) has made important advances in uncovering the political, institutional and social determinants of economic growth, the governance indicators in this approach have their own shortcomings. The quantitative measurement of the effect of governance can be challenged on a number of grounds. Among the concerns with this type of measurement are causality problems (Chong and Calderon 2000), measurement errors (Glaeser et al. 2004), missing-variable considerations (Bardhan 2005), conceptual vagueness (Weiss 2000) and a number of other econometric problems (Malik 2002). A major underlying difficulty is the fact that the political economy of growth still lacks a

proper theoretical underpinning of the channels through which institutions and governance affect growth. (Helpman 2004).

Six characteristics of governance indicators have been distilled from the empirical literature on governance:

1. Subjective indicators based on a large number of assessments have been generally preferred.
2. There is a preference for indicators produced by private agencies with a perception that these are more likely to be accurate.
3. An indicator that is more strongly correlated with other governance indicators is likely to be more representative than an indicator measuring a similar dimension but only weakly correlated with other governance indicators.
4. Indicators with a robust theoretical and research underpinning are also preferred.
5. Indicators with a greater coverage of countries and longer time horizon are considered to be more appropriate.
6. Subjective indicators can also be aggregated to yield more precise estimates of governance.

3.3.3 Issues with current thinking

As the governance concept and literature gained momentum over the years, it quickly became a policy prescription promoted by international aid agencies. Governance was primarily seen as a tool to empower and enhance the state, market and civil society relationship. Pioneered by the work undertaken by the World Bank (see Kaufmann 2003; Kaufmann and Kraay 2002a, 2002b, 2003a, 2003b; Kaufmann et al. 1999a, 1999b, 2002, 2003, 2005), 'good governance' became a central aspect of development aid packages and reform programmes.

Nevertheless, Henderson (2006) observes that good governance has tended to be 'preached' as a salvation to developing countries by Western aid donors. This links the notion of good governance with conditionality. As a result, an element of resistance towards good governance among developing countries has developed over the years.

Critics also argue that the philosophical ideologies of good governance as a concept are 'a-historical' and do not reflect the process that most developed countries faced when building their own institutions (Grindle 2004). Doornbos (2003) states that 'there has hardly been a consensus as to its core meaning, and less and less of a common idea as to how it could be applied more concretely', and that the term *governance* is open-ended and vague. Doornbos (2003) further comments that 'good governance' has 'donor-conceptualised' or 'Western-derived' standards rather than a universal one. Moreover, Suhrke (2007) argues that in reality, local ownership means ownership by recipient countries of donor-imposed ideas and institutions which in the long-run prejudice the sustainability of the project. Hulsman (2005) argues that the true test of any governance-related aid must be judged on whether locals continue sustaining the new institutions after the consultants have left the country.

Following numerous examples of interventions that led to increased fragility in states such as Fiji (Boege 2008), it is apparent that local standards, perspectives and cultural norms should not be overlooked when such reform programmes are designed. It is the key to their effectiveness, legitimacy and success in the long run. In the same manner, socio-economic and environmental factors, such as 'location, size of the economy, market configuration, community perceptions and socio-political history' (Ray 1998), must be also considered when adopting the concept of good governance.

To this end, Wesley-Smith's observation with regard to the state-building endeavours in the Pacific can be generalised for other developing countries and small states:

Institutional structures can be readily designed by consultants and established or re-established with the help of skilled and experienced expatriates. Capacity-building efforts can also yield promising results, at least in the short term. What is much more difficult for outsiders (or insiders, for that matter) is to change the wider political culture in which western-style state institutions must operate over the longer term. Traditional economic formations, ideologies and identities remain resilient in most of the Pacific places considered likely candidates for state failure. Modern ideas about society and government are highly unlikely to be internalised any time soon (Wesley-Smith 2007).

The problem of the current thinking and policy prescriptions tied to 'good governance', is that it is fundamentally based on structures and institutions that are not part of the institutional set-up of the societies which they are expected to govern. The challenge is to think beyond the model of the Western state and to develop a holistic model that reflects the reality in such states including their particular characteristics.

3.3.4 Conclusion

Summing up, cognisant of both the importance and the shortcomings of the governance concept, this chapter seeks to present a governance framework that builds on the strengths of the concept yet tackles the criticisms levelled against it. This holistic governance framework is developed in the next section.

3.4 The governability assessment framework

Although governance is recognised as an important building block for resilience, current governance assessment models and the reality of many developing states, including small island states, are disconnected. This section proposes an assessment framework that tries to incorporate the special characteristics of a country's social-economic setting as well as the prevailing governance system in place. The section will first define governance for the purposes of this framework before analysing the components of the framework.

3.4.1 A working definition for governance

Governance is primarily an interactive process among state stakeholders (Larmour 1996). Involving all stakeholders of the governance system will reflect the concerns of all whenever there is a need to address a societal problem, because the primary

aspirations of a civil society should be to enhance the well-being of the community (Lován et al. 2004).

The interactive governance model as proposed by Bavinck et al. (2005) draws heavily on the research undertaken by Kooiman (1993, 2003). At its foundation, governance is defined as ‘the whole of public as well as private interactions taken to solve societal problems and create societal opportunities. It includes the formulation and application of principles guiding those interactions and care for institutions that enable them’ (Bavinck et al. 2005). This is the working definition that this study is adopting for governance.

Bavinck et al. (2005) see society as being composed by large numbers of governance actors, who are constrained or enabled in their *actions* by the *structures* they operate in. In this perspective, *actors* can be described as any social unit possessing agency or power of action. These include individuals, associations, leaders, firms, departments, government bodies and international organisations. The interactive governance approach argues that many actors at different levels of society participate in the governance process and therefore the approach itself advocates broad participation in governance. On the other hand, *structure* refers to the frameworks within which these actors operate. Frameworks have the potential of limiting or widening their action potential and take into account culture, law, agreements, norms and traditions.

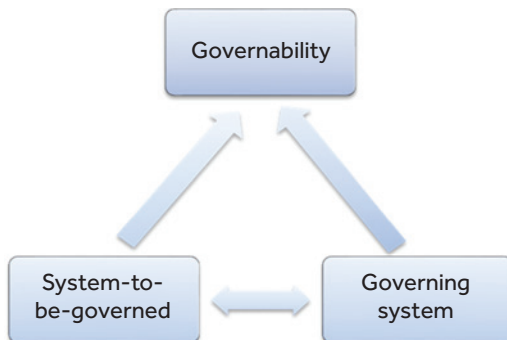
In order to capture the spirit of Bavinck et al. (2005), the governance assessment model being developed needs to distinguish between the system in which actors interact and the frameworks in which they operate.

3.4.2 Conceptual model

In order to formulate the assessment framework, governance needs to be understood as being a function of both the system it seeks to govern and the governing system that incorporates all the different actors. This is best described by the term *governability*, which can be defined as the capacity to govern. In this study, governability is defined as having two components as illustrated in Figure 3.1.

Each of the components and the respective subcomponents will be analysed in depth in the forthcoming sections.

Figure 3.1 The governability assessment framework



Source: Fabri.

3.5 The system-to-be-governed

Governance interactions are always contextually situated; they do not take place in a void. This is because these interactions are embedded in a system that comprises elements of history, culture, technology, norms as well as the current dominant issues (Graham, et al. 2003). The Commonwealth, which embraces small member states from four distinct maritime regions, offers unmistakable evidence of such diversity notwithstanding the shared colonial history. Thus, for example, whereas Pacific islands are more home to chronically contested constitutional order such as in Fiji (Larmour 1996), the Caribbean countries demonstrate the persistence of democracy, despite ethnic and class cleavages, recurring economic crises and weaknesses in the rule of law (Allahar 2001; Payne and Sutton 1993).

Given these variations, generalisations cannot be made about countries. When analysing the system-to-be-governed, a further decomposition can be made which distinguishes between the structural elements, such as history, traditions and other factors, and the dominant policy challenges that also have a bearing on the system-to-be-governed. This distinction is illustrated in Figure 3.2.

The two elements will be analysed in detail below.

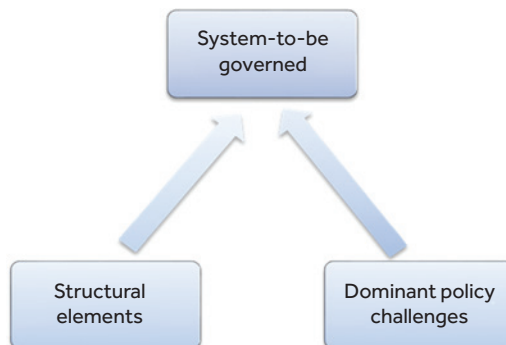
3.5.1 The structural elements

Graham, et al. (2003) argue that societies are a product of a number of factors which include historical influences, cultural norms, traditions and technology. For the purposes of this study, structural elements of the system-to-be-governed can be identified as history, culture and identity, traditions, technology, citizenship and international partnerships. The individual elements are explored below.

History

Present institutions and policy-making efforts are always a function of a country's historical development and influences. In an island, this is even more evident because of colonialisation, which had a long-lasting effect on the trajectory of a

Figure 3.2 The system-to-be-governed dimension



country’s political, social and economic development. Furthermore, colonialisation also determined the social and ethnic composition of island polities, since large-scale immigration also took place. This had lasting consequences for the welfare of indigenous islanders, for class, racial and ethnic cleavages, and for the identity of island ‘nations’, as demonstrated in Fiji Islands, Mauritius or Trinidad and Tobago (Srebrnik 2000, 2002a, 2002b).

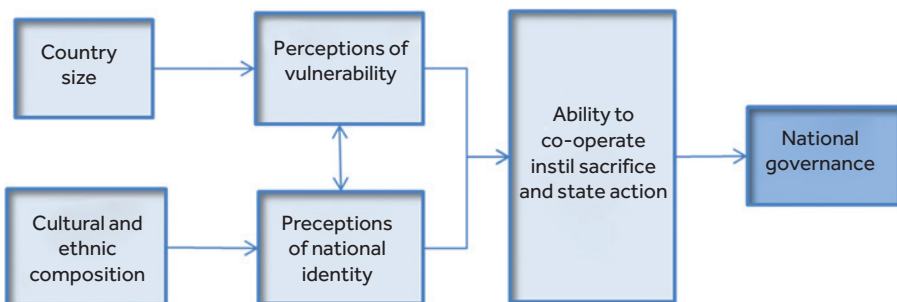
Culture and identity

Gellner (1983) claimed that a country is likely to be most successful when a common national culture is present. He argues that societies that are deeply divided cannot co-operate and co-ordinate policies. Gellner (1983) adds that the willingness to sacrifice for the sake of the nation diminishes when societies are culturally and ethnically heterogeneous. Rigid status barriers such as ethnic, linguistic or religious differences need to be reduced and the ‘unity in diversity’ principle needs to be strengthened among the population. Central to the reduction of these barriers is education. It is only by nurturing this co-operative spirit that people hailing from different backgrounds can co-operate and live together. Building on this literature, Campbell and Hall (2009) argue that the cultural composition of a country not only impinges on vulnerability but will also affect institutional development and performance of culturally heterogeneous countries as shown in Figure 3.3.

Traditions

Customary law and indigenous knowledge as well as traditional societal structures still have important influence in developing countries, including some small island states. These structures take the form of clans, tribes, religious brotherhoods, and traditional institutions such as village leaders and elders, which still determine the everyday social reality of citizens in these countries. Evidence from countries such as Vanuatu, Solomon Islands or Papua New Guinea shows that such customary institutions can have a bearing on formal institutions. In fact police are hardly present on the ground in rural areas, since they can become active only upon invitation by the chiefs and elders and mostly have to ask for permission from the chiefs to enter a village (Boege 2008). Given that such institutions and norms can infiltrate and

Figure 3.3 Causal model between national identity and governance



Source: Adapted from Campbell and Hall (2009).

subvert formal institutional structures, due consideration needs to be made when assessing the system-to-be-governed.

ICT readiness

Information is the foundation of all governing as it forms the basis of decisions and processes. Following the emergence and proliferation of information and communication technologies, countries are now in a better position to source, collect, process and transmit information. The role of such technologies can have profound effects on governance.

Three facts that explain the inherent link between information and governance are (Nath):

1. Access to information and knowledge is essential to form an opinion and make an informed decision. Judicious and well-informed decision-making is dependent on the quality and timeliness of information.
2. Circumscription of information and knowledge with a confined group opens up avenues for its manipulation for exploitative purposes.
3. Distribution of information is akin to distribution of power.

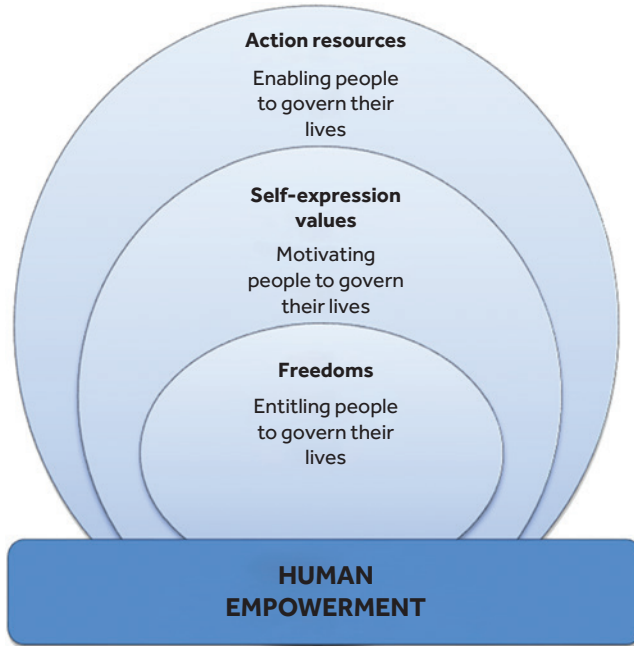
Mechanisms propagating information equality therefore often meet resistance from groups that stand to lose power through these processes. The new form of governance helps ensure that citizens are no longer passive consumers of services offered to them and could transform their role in deciding the kind of services they want and the structure that could best provide the same. Information and communications technology (ICT) can influence the process of governance in various ways and in varying degrees, from improving the current mechanisms of delivery of services to transforming the entire mechanism and the nature of services themselves.

In addition, ICT and other technologies are important contributors to empowerment (Nath). With the expansion of the information exchange sphere through ICT, individuals and communities earlier confined within isolated information islands are now able to assimilate knowledge from different sources and draw a comparison with their own situation. They are able to broaden their perspective, share common concerns and form alliances with other communities. Emergence of open communication channels to interact and become a part of the larger information sphere is therefore a stepping-stone to empowerment of individuals and communities in developing countries. The empowerment process is non-exclusionary in the sense that each individual is a recipient and incubator of knowledge in a truly networked world.

Citizen empowerment

Human empowerment is becoming an increasingly important driving force behind democratisation (Welzel and Inglehart 2008). The recent Arab Spring is in fact a result of the population being more empowered to take control over their lives and stand up for their rights. Welzel and Inglehart (2008) describe human empowerment as a triad consisting of democratic freedoms, self-expression values and action resources. Each of these three ingredients empowers people on a different level.

Figure 3.4 Human empowerment model



Source: Adapted from Welzel and Inglehart (2008).

Democratic freedoms empower people on the level of entitlements, granting people the civil and political rights that allow them to govern public life and their private lives. Self-expression values empower people on the level of motivations in making people willing to govern their lives. Self-expression is a cluster of values that include social toleration, life satisfaction, public expression and an aspiration to liberty. Action resources include both material resources and cognitive resources such as education and skills, which help people to govern their own lives. Together these three elements complete human empowerment as a whole, as shown in Figure 3.4.

International partnerships

Many countries are members of supranational organisations. Small states are particularly active in the Commonwealth, World Bank, IMF, ILO and UN, to name a few. Such organisations are important as they bestow an advocacy role on countries on major issues but can also be a source of funding for countries to undertake specific projects. Close links with such organisations impinge on national governance and are a characteristic of the system-to-be-governed.

For the purposes of this study, the structural element of the system-to-be-governed component comprises the six dimensions explained in detail above. Each dimension has a number of evaluation questions that will be developed in the methodological section. However, the structural element is in turn only one dimension of the system-to-be-governed concept. The next sub section will analyse the dominant policy challenges.

3.5.2 The dominant policy challenge element

Any system-to-be-governed is also characterised by a number of dominant policy issues and concerns. These particular challenges highlight the dynamic aspect of the system-to-be-governed as policy concerns change over time and can have implications for governance. As a preliminary model, a number of policy challenges that small states are facing have been considered, including corruption, urbanisation, transnational crime, natural disaster management, environment, economy and employment, healthcare, education and social inclusion. These will be analysed in detail below.

Corruption

Defined as the use of public office for private gain, corruption is a threat to the principles of democratic government and the rule of law. It subverts the judicial system, undermines the legitimacy of the state and is detrimental to both investment and economic growth.

The inherent characteristics of small states present some specific risks for corruption as well as for the capacity of states to combat corruption. Against the backdrop of small size and the resulting familiarity, it manifests itself through various forms of bureaucratic, administrative and political corruption. The relatively low ratio between elected representatives and citizens facilitates the emergence of familiar networks between governed and governors. This is likely to foster patronage, nepotism and clientelism (Larmour 2005). Cultural and tribal heritage can also encourage corruption, since politicians are under pressure to cater for their tribe rather than to serve the national interest (Vaadre 2009).

Natural resource management, offshore financial activities and international development aid are especially vulnerable to corruption risks in small states (Larmour and Barcham 2006). In addition, anti corruption efforts are hampered by a number of factors including weak government institutions, low wages and shortage of opportunities for public service employees, as well as lack of participation by the public and civil society.

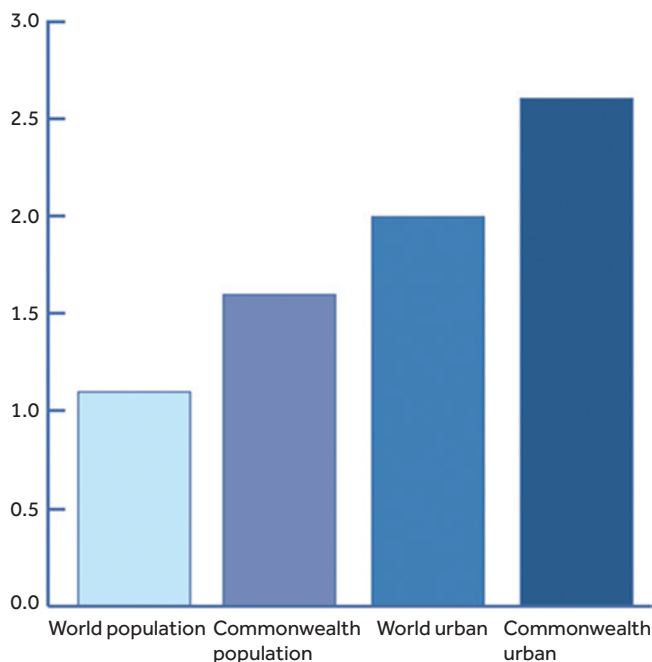
Urban growth

Many Commonwealth small states are currently undergoing a transformation fuelled by rapid economic and social growth in urban areas. Since Commonwealth countries are on average less urbanised than the rest of the world, there is currently a phase of convergence which results in higher urbanisation growth rates (ComHabitat 2010). Figure 3.5 clearly illustrates this.

Although the Commonwealth urban average growth rate illustrated in Figure 3.5 is mainly driven by large countries such as India, some small states are displaying rapid growth in the urban population, as shown in Table 3.1.

The growth of cities is a problem in small states as it puts pressure not only on the environment but also on the infrastructure such as housing, water supply and waste management (UN-Habitat 2008). Governance and planning of the cities becomes

Figure 3.5 Annual urban growth rates (2005–10)



Source: ComHabitat (2010).

Table 3.1 Urban population growth in small states

<1%	1–2%	2–3%	3–4%	>4%
Antigua and Barbuda	Bahamas, The	Botswana	Belize	Gambia, The
Dominica	Barbados	Brunei	Lesotho	Maldives
Grenada	Cyprus	Darussalam		Solomon Islands
Guyana	Fiji Islands	Namibia		Vanuatu
Jamaica	Kiribati	Trinidad and Tobago		
Malta	Papua New Guinea			
Mauritius	St Kitts and Nevis			
Nauru	St Lucia			
	St Vincent and Grenadines			
	Samoa			
	Seychelles			
	Swaziland			
	Tonga			
	Tuvalu			

Source: ComHabitat (2010).

even more significant given this rapid growth in urban areas. As UN-Habitat (2008) observes, ‘well-planned and well-governed areas can greatly reduce risks – while unplanned and poorly governed cities can greatly increase them.’ Turvey (2007) also includes an urbanisation indicator in his vulnerability assessment of countries and finds that small states are more vulnerable to such effects.

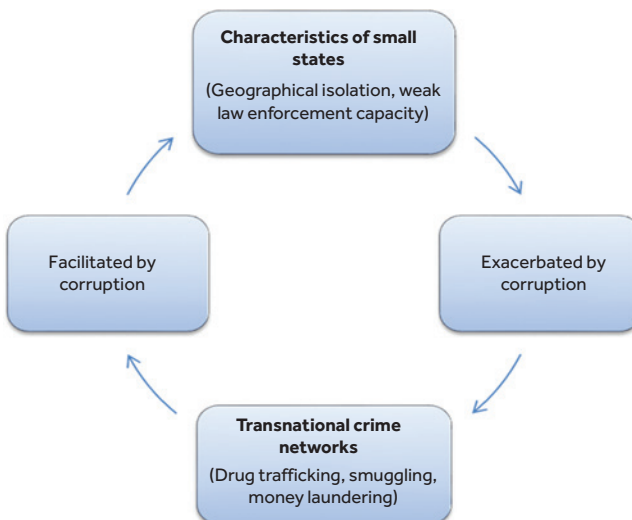
Transnational crime

Transnational crime constitutes a challenge for every nation. Small states, especially island states, are particularly vulnerable when it comes to transnational crime because the transnational crime networks establish themselves in countries that can offer the least resistance.

The potential existence of transnational crime activity in small states can therefore be determined by the nature and characteristics of the states themselves. Thus, the geographical conditions of the states, particularly the islands, give rise to smuggling activity and drug trafficking. The socio-economic and cultural characteristics of the states give rise to corruption and money laundering, while the characteristics of poor law enforcement capacity exacerbate these issues and give rise to identity and electronic fraud (McCusker 2006). Weak banking systems and the provision of offshore services in some small island states have made such islands a target for increased money-laundering activity, further undermining economic stability. These characteristics not only make them vulnerable to such threats but also facilitate their existence. A reinforcing spiral of poor governance and transnational crime is created, as shown in Figure 3.6.

While small states are susceptible to these threats, the poor law enforcement capacity of these states further increases their vulnerability. Typically, small states cannot

Figure 3.6 Transnational crime self-reinforcing cycle



Source: McCusker (2006).

afford the high cost of security-related technology infrastructure and of training security personnel.

Natural disaster management

Natural disasters in many small states have undone investments undertaken over the years, very often setting the country back. Climate change has increased both the intensity and the frequency of natural disasters, making small islands more susceptible to the risks of such disasters. Many small states, such as Samoa, St Lucia, Grenada and Vanuatu, have experienced the highest economic losses on capital stock in relative terms due to natural disasters (Barrito 2008). The losses incurred following natural disasters are not only economic but both social and political, with particular stress on the governance structure. Turvey (2007) also finds that small island states are more vulnerable to natural disasters.

Environment

The environment has the potential to act as a powerful economic driver and give rise to real economic benefits, presenting novel opportunities and stimulating the economy to grow in new directions and ways. The World Bank has shifted its emphasis from solely economic growth to encompass a number of other factors, which includes environment. The United Nations also included environment as one of its Millennium Development Goals. Viewing the environment as an economic driver requires a fundamental shift in the way in which the relationship between the environment and the economy is understood. The role of the environment is thus transformed from that of a passive provider of the materials and services necessary for economic activity to that of an active partner capable of influencing and directing economic development (ECFIN 2004). The environment can contribute to improved economic competitiveness through an improved tourism product, attracting inward investment. The growth of the green economy environmental governance therefore takes an important role in national and international policy agendas. Given the importance of the decisions at stake and the importance of the environment it is imperative to analyse how humans exercise their authority over natural resources and systems. Briguglio et al. (2006) also argue that environment management is a component of resilience, even though it was not included in the index because of data constraints.

Economy and employment

Economic growth and employment opportunities remain important policy challenges especially in this post-crisis global environment. Small states face particular challenges in this regard due to their inherent economic vulnerability, which is well-documented in the literature (Briguglio 1995, 2003; Atkins et al. 2000). This vulnerability can constitute a disadvantage to economic development by magnifying the element of risk in the growth processes (Cordina 2004a, b). Providing employment opportunities is also a challenge, as lack of employment opportunities can destabilise governance, as the Arab Spring has shown. This notwithstanding, several small states have performed well in terms of economic development and employment. Several

strategies have been adopted by such small states, which have used their jurisdiction as an economic opportunity by setting up service-based industries. Today, small states still face challenges in economic development, and economic and employment matters remain quite a dominant policy challenge.

Healthcare

In order to contribute effectively and participate in society, a population needs to enjoy good health. There is widespread agreement that health is an important component of human development (Canning 2010). Health was identified as a component of human development in the Human Development Report 1990 (UN Development Programme [UNDP] 1991) and is a central part of the Human Development Index. The World Bank has extended its focus from solely economic growth to embrace a number of other factors including health. The United Nations also included healthcare as one of its Millennium Development Goals. However, access to adequate healthcare remains a challenge in many developing countries. Epidemics across the globe have put additional burdens on governments and their resources. Citizens have a right to adequate healthcare and therefore investment in facilities and resources to improve healthcare remains a dominant policy challenge in many countries.

Education

An educated population is necessary for a vibrant and active as well as participative civil society, and education is a value in itself. Education is one of the main drivers that stimulate both economic and human development and remains an important policy goal for governments across the globe. Sen (2003) argues that ‘widening the coverage and effectiveness of basic education can have a powerfully preventive role in reducing human insecurity of nearly every kind’. The World Bank emphasis on solely economic growth has shifted to include a number of other factors of which education is one. The United Nations Millennium Development Goals include education. Governments in many countries continue on their quest to increase literacy rates and to expand the opportunities for their youths. As the Commonwealth Secretary-General, Kamalesh Sharma, said, ‘there can be no question that education is central to all sustainable democratic, social and economic advances. It is pivotal to all that the Commonwealth seeks to achieve’ (Sharma 2012).

Social inclusion

Reducing marginalisation of vulnerable groups is a policy goal in many countries as well as trying to increase social cohesion, which is defined as a key building block for improving resilience. Social development and social cohesion can be conducive to economic growth (Foa 2011). This connection is also assumed in the Global Competitiveness Report, which puts forward an index of sustainable competitiveness with a social cohesion component (Bilbao-Osorio et al. 2013). In addition, social development and social cohesion facilitate collective action (Briguglio et al. 2006; Briguglio 2003). Given its importance, social cohesion and integration have been

identified as key challenges in small states and it is believed that social inclusion is central to fostering development and building resilience.

3.5.3 Conclusion

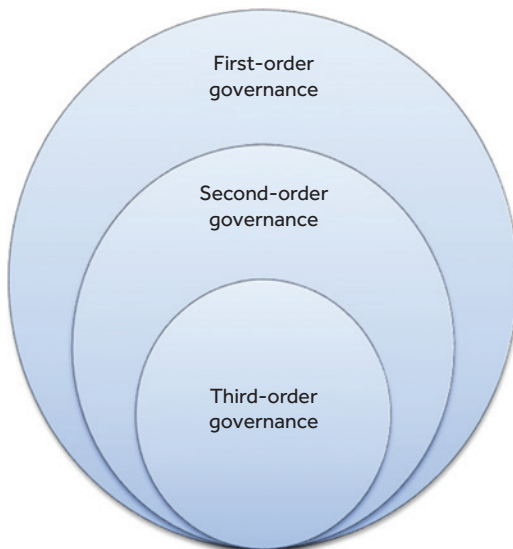
This section has examined context as a basis for analysis on the system-to-be-governed element. Compared with other governance models and frameworks, this represents an innovation, as other models do not consider the context and environment in which governance activities occur. In addition, the relevance of considering the contextual element is even more important for island states. As complex systems, islands need to be examined within a broad ecological and historical framework. As explained by Warrington and Milne (2007), islands are characterised by complexity, not simplicity; diversity, not uniformity; contingency, not predictability. In order to complete the assessment framework, an analysis of the governing system is warranted and is developed in the next section.

3.6 The governing system

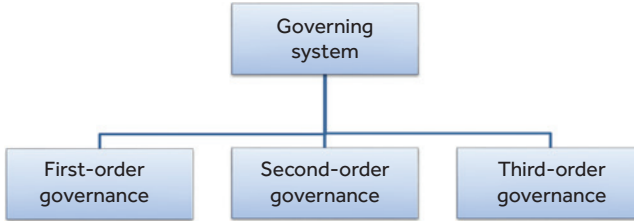
From a governing system perspective, interactions between different actors and stakeholders are central to the governance ecosystem. Drawing from the interactive governance model, the framework further decomposes the governing system into three main orders. These orders can be visualised as three circles nested in each other (see Figure 3.7).

The outer ring deals with the day-to-day affairs of governance and is mainly focused on solving problems and creating opportunities. This is termed first-order governance.

Figure 3.7 The three orders of governance



Source: Adapted from Bavinck et al. (2005).

Figure 3.8 The governing system component

Source: Adapted from Bavinck et al. (2005).

Second-order governance deals with institutional design and maintenance, while third-order governance involves the underlying values and principles.

The governing system component is therefore composed of a series of indicators that are categorised by the three orders of governance described above (see Figure 3.8).

3.6.1 First-order governance

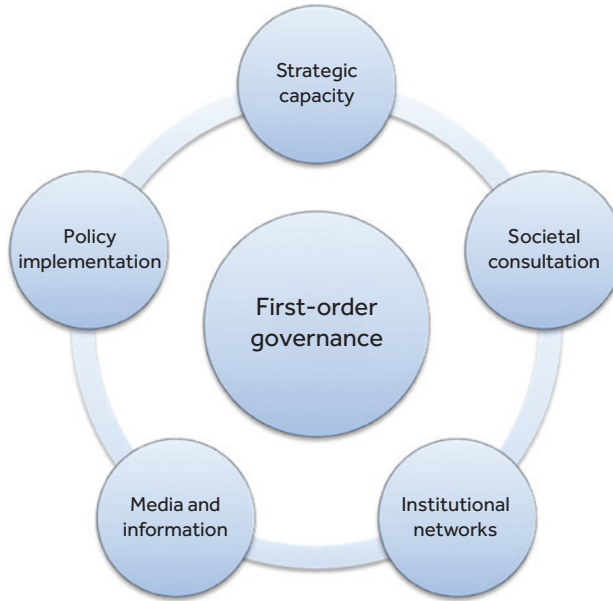
Traditionally, society perceived government as being solely responsible for solving problems while the market was seen as the source of opportunities. However, today's realities show that this clear dichotomy no longer holds. It is recognised that societal problems and opportunities are shared between different actors. Therefore, in order to address societal problems and opportunities, leverage and collaboration are needed between different actors and stakeholders (Kooiman 2003). In an issue-based polity, one can observe that particular actors and stakeholders do take the lead according to the issue at stake.

Bavinck et al. (2005) argue that, in the first order of governance, anyone involved in governing forms images about what is being governed. Kooiman (2003) suggests that governing is inconceivable without the formation of images. During image formation, both opportunities and challenges will be defined and formulated into issues. Throughout the image formation process, information will be gathered, opinions will be heard and analysed and finally an image will be formed on the issue at stake, on how to address it and what one would like to achieve. Governing images and the way in which they are formed have an important, even decisive, influence on the unfolding of the ensuing governance process (Kooiman 2003).

Instruments act as an intermediary and translate the formed images into action. The variety of instruments used is particularly large, as actors have developed a plethora of instruments ranging from 'soft' instruments, such as information campaigns, to 'hard' instruments, which include laws and rules. Governing instruments derive from a broader societal base from which they are selected and these can include knowledge, finance and juridical instruments. Therefore, the distribution, and availability of and access to such instruments from the societal base have important implications for governance.

The last element of interactive governance is action – putting instruments into effect. This includes the implementation of policies according to set guidelines, which is a relatively dry and routine affair. Action may also, however, consist of mobilising other actors in a new direction, and this relies on political leadership or social movements.

Figure 3.9 First-order governance



Source: Fabri.

The chapter proposes that five main dimensions capture the spirit of first-order governance. These are analysed below. The dimensions are shown in Figure 3.9 and analysed below.

Strategic capacity

First-order governance is largely about solving problems and creating new opportunities. To this end, the strategic capacity of government to steer other actors is an important element in trying to capture the spirit of first-order governance. The literature on strategic capacity draws heavily on the management discipline especially at company level. Berman and Maxwell (1986) argue that successful strategic managers were seen to require the following qualities:

- ability to gauge both the internal and external environments;
- to assess the risks of failure as well as the perseverance to persist with strategies that are selected to ensure that the organisation is moving in a purposeful direction;
- the wisdom to refrain from managing the components of the organisation but rather to provide leadership; and
- the skill to spot the leading edge of an activity and its peak and decline.

These qualities can therefore be used to assess the strategic capacity element of first-order governance.

Societal consultation

The interactive governance model is built on interactions between different actors and this element of first-order governance captures the spirit of such interactions

and consultation during the process. In modern societies, all actors are playing an ever-increasing role in policy initiation and formation. The literature refers to the Berger Commission in Canada, commissioned in 1975, as the earliest example of an innovative participatory process of decision-making during which views of stakeholders were actively sought (Cass 2006). Kenyon (2003) considers it the first example of participatory methods in policy-making. Engaging the public in a wide range of policy areas, at different stages in policy development, using participatory and deliberative methods and processes, is now an accepted and legitimised practice (Cass 2006). The literature on this participatory or deliberative turn has provided theoretical justification for the adoption of these practices in areas as varied as the health sector (Abelson et al. 2001), nanotechnology development (Macnaghten et al. 2006), natural resource management (Halseth and Booth 2003), transport planning (Bickerstaff and Walker 2001), waste management (Petts 2005), 'new' or controversial science (Pellizzoni 2003) and environmental policy (Owens et al. 2004). Today, most policy processes include a consultation period with stakeholders and the general public at large even in small states such as Malta, Barbados and many of the Caribbean countries.

Institutional networks

In the interactive governance model, problem solving and creating opportunities is all about developing networks between different actors to achieve the common goal (Torfing et al. 2012). With governance no longer being monopolised by the state, network building and co-ordinating with other actors is crucial for governance to truly solve problems and create new opportunities. According to Rhodes (1988), networks or communities can exist in a range of areas and are based upon functional areas. Rhodes (1988) continues by arguing that networks are characterised by stable and continuous relationships between members. This is also understood by Klijn (1997) who perceives policy communities or networks as tightly integrated networks with 'dense' interactions between participants.

Media and information

The mass media and information play an important role in the public sphere as the major arena in which image formation is played out in modern societies (Kooiman 2003). The media is important as it fosters a communication process involving the viewpoints of all actors and facilitates the public policy process. Some key findings from the literature suggest that access to mass media empowers people politically and increases the benefits they receive from government programmes (Strömberg and Snyder 2008). This influence has been found for different types of government programmes and different countries, such as unemployment relief in the United States (Strömberg 2004), public food provision and disaster relief in India (Besley and Burgess 2001, 2002) and educational spending in Uganda and Madagascar (Reinikka and Svensson 2005; Francken et al. 2009). Concepts such as pluralism in the media and access to the media are an important element in seeking to capture the spirit of first-order governance.

Policy implementation

Transforming strategies and policies into tangible and successful results on the ground is an important element in governing and first-order governance. Citizens and societal actors are affected by the policies that are actually implemented and it is the implementation process that determines the success or failure of any initiative. Government and other policy actors are in turn judged by their implementation efforts. Implementation is a delicate stage of the public policy process and may not be straightforward. Drawing on the works of Alexander (1985) and Hogwood and Gunn (1984), a number of factors which will have the successful implementation of change can be identified and these include resources, co-ordination, lack of leadership, lack of detail, lack of communication, and tasks not specified in correct sequence. Baier et al. (1986) further identify two implementation problems. The first set of problems can result from bureaucratic incompetence and the second set of problems is associated with conflicts of interest between policy-makers and implementers.

3.6.2 Second-order governance

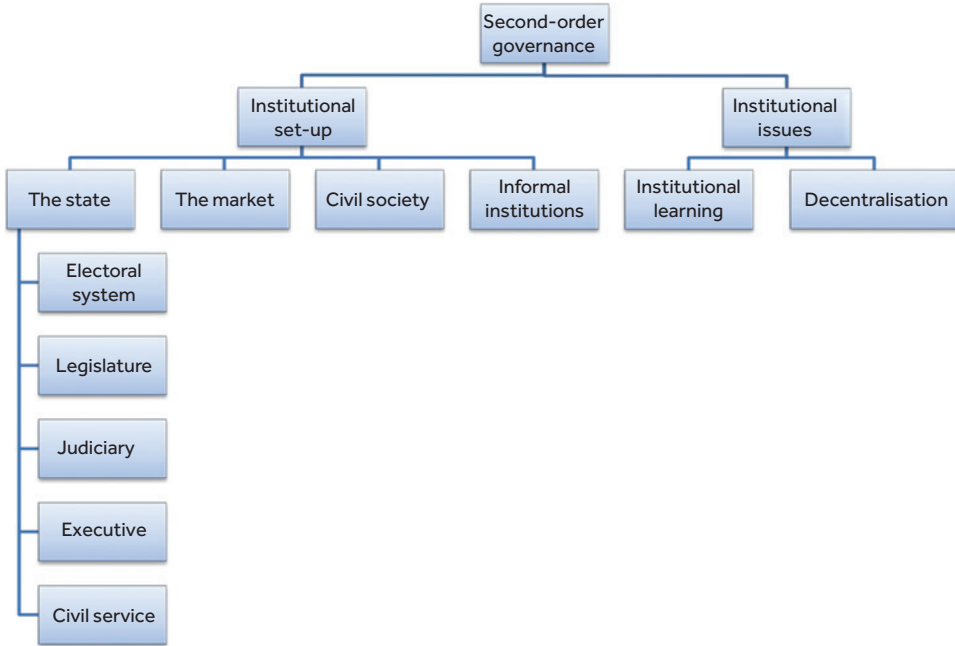
First-order governance, or the interactions between actors to solve problems and create opportunities, does not happen in a vacuum. These orders of governance are nested within each other and first-order governance takes place within a socio-political institutional environment. Whereas first-order governance is primarily a process activity, second-order governance is more of a structural dimension. It looks at the factors enabling problem-solving or opportunity-creating practices and can be best described as the design, care and maintenance of these institutions that control interactions between actors or enable them to take place. From a governance perspective, they need to be continually evaluated and adapted to changing circumstances. Institutions should be dynamic with institutional settings being designed, created, reviewed, maintained, reformed and changed. Therefore, the second order of governance needs to be conceptualised as balancing the governing needs and the governing capacities.

Second-order governance can be further broken down into the institutional set-up and institutional issues. In an interactive governance framework, institutions include not only the traditional state model but also informal institutions as well the market and civil society. Institutional learning and decentralisation can be identified as institutional issues. This is illustrated in Figure 3.10.

The state as an institution

In analysing second-order governance, a lot of the institutional setting is found in what can be referred to as political society. In the political process, political society is perhaps the most critical link in the governance chain. It is the arena where citizens are represented and their views are aggregated and packaged into specific policy demands and proposals. Political society is where much of the political agenda is set and where most of the formal institutions are found. Governing political society is a crucial element in economic development. In fact, in an extensive literature review

Figure 3.10 Second-order governance

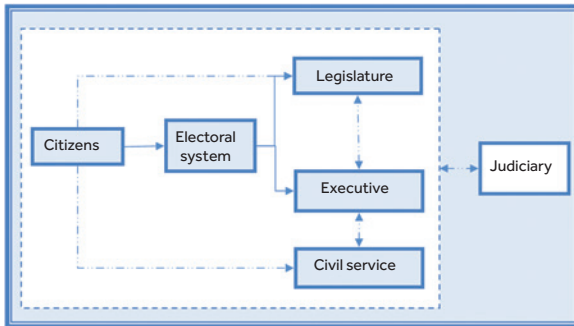


Source: Fabri.

on the subject, Jutting (2003) concluded that ‘most of the studies suggest a strong and robust relationship between institutional quality and growth and development outcomes’. Political society is not a single institution but rather a series of them, all of which are important for the policy-aggregating function (Brown 2010; Farrugia 2007). This can be seen through Figure 3.11.

Electoral system. Elections are among the most important ways in which citizens can participate in decisions that affect their lives and hold their representatives

Figure 3.11 Political society



Source: Fabri (2007).

accountable for results. The political legitimacy that credible elections confer is essential for robust states and provides a crucial mandate if governments are to have the capacity to tackle a variety of sustainable development challenges.

An electoral system is designed to do three main jobs. First and most fundamentally, it translates votes cast into legislative seats. Second, it acts as the conduit through which the people can hold their elected representatives accountable. Third, it defines incentives for those competing for power to try and accommodate as much as possible of the electorate, thus giving voice to often-marginalised groups. There is also a range of specific institutional devices that can be used to target under-represented groups such as women and the poor.

It is believed that, in conducting its functions, the electoral system will improve the participation, legitimacy and accountability of a government.

The legislature. Effective legislatures contribute to effective governance by performing important functions necessary to sustain democracy in complex and diverse societies. Democratic societies need the arena for the airing of societal differences provided by representative assemblies with vital ties to the populace. They need institutions that are capable of writing good laws in both the political sense of getting agreement from participants and in the technical sense of achieving the intended purposes.

Although there is considerable variation among developed legislatures, it is safe to say that all functioning legislatures in democratic nations have a greater and more predictable role representing the population at large, in making laws and exercising oversight than those of less democratic societies. Legislatures should function as important governing partners because they represent citizens, shape laws and exercise a degree of oversight or control over the executive. Performing these functions contributes to good governance by increasing its capacity to monitor and respond to public sentiments; by playing a part in passing legislation capable of withstanding critical scrutiny; and by serving as a vehicle for improving the degree of efficiency and responsiveness in the administration of laws. The legislature also confers a degree of credibility on the country, as a well-functioning legislature allows actors to operate with a level of confidence in the system. While all these functions are important singly, performing them jointly is also important.

The judiciary. A judiciary that holds the law above everything and everyone is indispensable for good governance. Good consistent jurisprudence based on law, as well as predictable and time-efficient resolution procedures, is necessary for that sense of predictability, transparency and accountability which are the cornerstones of good governance.

At a very fundamental level, people need to know that their individual rights will be upheld even against the most powerful authorities. An independent judiciary with integrity can do this. A strong judiciary, with the power to review acts of government,

can protect the citizens from unlawful acts and hold government officials accountable for their corruption and abuse of power.

For a strong judiciary to be able to contribute to both governance and economic development there are a number of important characteristics of the judicial system that have to be met. Drawing from the literature (La Porta et al. 1997; Sen 1999; Bigsten et al. 2000), one can conclude that the judiciary can contribute efficiently to governance when:

- there are constitutional and operational guarantees of judicial independence;
- sufficient financial resources are predictably and transparently provided to the judiciary;
- competent judges are transparently appointed, assured security of tenure and provided a living wage;
- importance is also given to non-judicial mechanisms for settling disputes;
- judgments can be rendered, enforced and reviewed without danger to the person, family or property of the judges; and
- discipline within the bench itself is subject to the rules of due process.

However, the judiciary is not only about rules. Such rules have to be enforced too and countries need to have efficient and effective enforcement mechanisms. These include having an honest police force which respects the rule of law and works to ensure that it is respected and honoured by everyone.

The executive. The executive is the political tier at the apex of government. It is charged with directing the nation's affairs, supervising how policy is carried out, mobilising support for its goals and providing crisis leadership. The executive is thus responsible for setting the direction of society. The decisions that it has to make are not merely in immediate response to demands from groups in society. It does not only revolve around the aggregation of interests, values and preferences that come up via different channels to the executive level. It also implies transformative decisions that involve choices going beyond specific interests or preferences. It is believed that the biggest contribution the executive can give towards ensuring sustainable economic growth may be guaranteeing political stability. It is a necessary component in attracting investment as it reduces the uncertainty and risk inherent in investment decision.

The civil service. The civil service can be described as the machinery of government engaged in formulating and implementing policy as well as in regulating and delivering services. Governance issues in the bureaucratic arena take on special significance given the massive pressures that have been placed on the public sector to become leaner and more efficient and bring the services closer to the people. In recent years, there has been increasing empirical evidence that bureaucratic performance is important for economic development and is one of the main determinants of the degree to which a country makes social and economic progress (Kaufmann et al.

1999; Evans and Rauch 1999, 2000). Cross-country analysis, which articulated the belief that the bureaucracy was a key ingredient of the East Asian Miracle (World Bank 1993; Evans 1995) as well as one of the main reasons for Africa's dismal development performance (Blunt 1983; Hyden 1983), also strengthened the argument in favour of high bureaucratic quality.

A number of issues are important for governance when debating the civil service. The need to have objective entry requirements or an independent body on public service employment is a key concern. Competence is seen as stemming from competition based on merit rather than personal contacts or illicit payments. The pay structure is also an important feature in the well-functioning bureaucracy. Paying reasonable wages should encourage talented people to enter and remain in the civil service. Another important issue in the bureaucratic arena is the extent to which officials follow rules. Clear rules relating to how decisions are made and how civil servants conduct themselves are important for performance (Weber 1947). Although the existence of clear rules is often related to how the public views the bureaucracy, it is also linked to how efficient it is. Clear decision-making rules are typically seen as enhancing efficiency. The less clear rules are, the higher the risk of misuse of public office and poor decisions (Klitgaard 1988). Rules are also important for holding officials accountable. Internal rules to the bureaucracy require well-functioning enforcement mechanisms to be in place. Policy issues in society are typically complex and multidimensional, requiring the insights of civil servants with professional and specialised competence. Structuring the policy formulation and implementation process such that government operations can benefit from the advice of professionals is seen to be an important issue affecting bureaucratic performance. Although there are varied opinions about the extent to which participatory approaches can be accommodated with bureaucratic decision-making (Schaffer 1969), bureaucracies need a definite measure of autonomy from both politicians and the public. They cannot afford to be responsive to every demand placed upon them. It is therefore evident that a degree of autonomy is needed when it comes to formulating and implementing development strategies.

The market as an institution

The private sector is an important player in any society and, with the recent trends of privatisation, liberalisation and the emergence of multinational corporations, it has gained a more important role. For the private sector to operate effectively and contribute to economic development it requires an enabling environment to operate in (Posner 1998; Gabre-Mahdin 2006; Holden 2004; Altenburg and von Drachenfels (2008)). The behaviour of the corporate sector has the power of affecting entire economies and the stability of the global financial system, as the recent global financial crisis has evidenced. These factors all point to the importance of corporate governance practices.

Civil society as an institution

The importance of civil society and its treatment as an institution in its own right has gained ground in recent years. There is no consensus as to what constitutes civil

society; however, the definition given by The London School of Economics Centre for Civil Society captures the main elements: ‘civil society refers to the arena of uncoerced collective action around shared interests, purposes and values. In theory, its institutional forms are distinct from those of the state, family and market, though in practice, the boundaries between state, civil society, family and market are often complex, blurred and negotiated. Civil society commonly embraces a diversity of spaces, actors and institutional forms, varying in their degree of formality, autonomy and power.’ Almond and Verba (1989) and Putman (1993) have found that civil society organisations are vital for democracy as they facilitate awareness and contribute significantly to a more informed citizenry, further enhancing accountability. Civil society organisations build social capital, trust and shared values, which are transferred into the political sphere and help to hold society together, facilitating an understanding of the interconnectedness of society and interests within it.

Informal institutions

In many developing states, customary institutions, born out of traditions, have stood the test of time and have been able to gel communities together. Unfortunately, Western notions of state-building and good governance have traditionally overlooked the role of such customary and traditional institutions even if these would have provided a backbone to communities and societies. This has been confirmed by Oxfam (2006) in its review of governance efforts in Pacific islands: ‘Donor programs on good governance emphasise the role of non-state actors (churches, NGOs, private sector organisations, trade unions), but these programs have often failed to define the place of customary authorities and indigenous structures that are so important in the region.’ In the Pacific Island states, state institutions are not the only institutions that fulfil functions that, in the model Western state, are clearly state obligations. ‘The state’ often has little relevance to many people in rural areas and outer islands.

Despite the efforts of colonial administrations and newly independent post colonial states to impose new state-based modes of governance on communities, these customary institutions have shown considerable resilience – and adaptive capacity (Boege 2008). Following a period of political upheaval and unrest in Bougainville, it was decided to build a new political order. Given that in the post conflict phase the population relied heavily on traditional institutions and customary mechanisms, there was a strong desire to include these informal institutions in the new political order. As a consequence, these informal institutions figure in the new constitutions of the Autonomous Region of Bougainville. Today, the political order combines Western governance institutions of a president, a parliament, a constitution and a public service. However, the political order also includes elements of informal institutions such as councils of elders and councils of chiefs. This political order has the advantage of being home-grown and enjoys a high degree of legitimacy. The Bougainville case demonstrates that new forms of ‘state-building’ which do not simply copy the Western model of the state, but draw on customary institutions that are rooted in the local communities and societies, can have astonishingly positive results. It supports Nixon’s proposition that ‘“traditional structures” are the cultural bedrock on which future attempts at state-building must be constructed’ (Nixon 2006).

Institutional learning

Institutions are supposed to be robust, stable and lasting; however, in order to remain effective they also need to reform and adapt to changing circumstances (Kooiman et al. 2005). Institutional reform does not and perhaps should not always start from scratch but should primarily address the weaknesses and fill the gaps in the framework that already exist. Sometimes more fine-tuning is all that is needed rather than a complete overhaul. However, reform is not automatic. Institutions, particularly formal institutions, have to be flexible, able to respond in a timely fashion, and willing and able to learn from experience and to change their ways accordingly. Morgan (1986) makes the distinction between the process of learning and the process of learning to learn. Learning to learn involves systems which 'are often able to detect and correct errors in operating norms and thus influence the standards that guide their detailed operations. It is this kind of self-questioning ability that underpins the activities of systems that are able to learn to learn and self-organise'. Morgan (1986) also points to a number of barriers to organisational learning which are particularly common in bureaucratic organisations. First, fragmented organisational structures lead to poor flows of information and knowledge. Second, systems of bureaucratic accountability tend to reward success and punish failure. This encourages a defensive culture in the organisation, where issues are obscured and problems hidden. The capacity to learn may in turn be affected by the power and dominance of professional groups. It is only through reform that institutions can remain relevant to society.

Decentralisation

Decentralising governance can be one of the best means of promoting participation and efficiency. Through this process, politicians and officials can be much more open to public scrutiny and more accountable to the communities they are supposed to serve. Decentralisation can take two main forms. Horizontal decentralisation disperses power among institutions at the same level while vertical decentralisation, which is more important and fundamental to improving governance, allows some powers of the central government to be delegated downwards to lower tiers of authority.

One benefit of decentralisation is that local governments, being closer to the people and more responsive to local needs, make better use of resources and as a result will direct them to human priority concerns such as basic education and primary healthcare. Numerous case-studies show that decentralisation favours expenditure on human development and is a vehicle to both economic and social development (UNDP 2005). In theory, decentralisation should improve efficiency, as projects would be able to match local needs. Involving local people can result in a more appropriate structure of services, especially in healthcare, and this can have a very important ripple effect. Local involvement also opens up the opportunity for people and companies to add voluntary contributions to amplify a programme or project's impact and it calls for the increased use of public-private partnerships. Devolving greater power to regions can improve equity if managed efficiently and effectively, as poor people generally make more use of local public services. However, decentralisation can

increase disparities between various regions and districts unless the government takes strong action and ensures that the programme of decentralisation is well planned and compensatory action is provided to the other regions. Decentralisation can also increase economic participation by facilitating local entrepreneurial activity and thus increasing employment and ultimately generating economic growth. This can take place through increased public expenditure on local infrastructure, higher-quality services and better support for entrepreneurs.

Decentralisation of local government has the potential to improve government decisions with increasing democratic participation. As decisions are brought closer to the people they affect, expenditure on priorities increases, thus contributing to economic and social development.

3.6.3 Third-order governance

Since governance is all about interactions between different actors, principles and values are needed to guide their behaviour (Kooiman 2003). Values and principles are always needed, at all levels, not only to steer behaviour but also to guide decision-making. Principles come before means and goals. They determine which goals are valid, ethical and reasonable (Kooiman et al. 2005). Governors and stakeholders should start by identifying the fundamental principles and go on from there to deduce the goals to be pursued before they finally turn to the means. Principles also can serve as a yardstick, something to relate to when we evaluate and criticise current governance systems and practices and suggest reforms. In interactive governance, given the multi stakeholder approach, articulating the underlying principles provides transparency and helps to achieve consensus between stakeholders (Bavinck et al. 2005).

A number of key values and principles that should underlie policy-making are outlined below.

Sustainability

During recent years, sustainability has become a widely used concept in all policy fora. This notwithstanding, it is still described as 'one of those motherhood concepts that is hard to oppose, but difficult to pin down' (Sumner 2002). Seen as a multifaceted and cross-cutting concept, sustainability is seen as a goal, a condition, an ethic a process and even a management practice. Two definitions of sustainability are in widespread use. It is seen as development, which 'meets the needs of the present without compromising the ability of future generations to meet their own needs' (Brundtland 1987); and as 'a kind of development that provides real improvements in the quality of human life and at the same time conserves the vitality and diversity of the Earth' (International Union for the Conservation of Nature [IUCN] 1991). Sustainability is also important for small states because of their inherent vulnerability and limited resources and is a major policy concern and focus (UN 1994, 2005).

Efficiency and frugality

The efficient use of public resources and high-quality fiscal policies for economic growth and stability has become a prime policy concern. Various developments,

heightened by the global economic crisis, have exerted even more pressure on national budgets. Small island states suffer from a limited resource and talent pool, which further calls for the efficient use of resources (Sutton 2006). Popular sentiment also calls on governments to be efficient in resource use.

Respect

Respect plays a central part in ethical theory and is a common moral notion linked to the philosophical school of thought pioneered by Immanuel Kant, who argued that all human beings have dignity which is independent of rank or merit in society (Kooiman et al. 2005). One's respect for the autonomy and dignity of a person is mirrored in the idea of legislating for positive freedom. This respect for individual autonomy does not differ from respect towards the autonomy of collectives and institutions. This means that the laws that are enacted by society apply to all; no one is above the law. Respect for people, society and its institutions is reflected in the well-known political concept of rule of law.

Equity

Equity is closely related to concepts such as fairness, justice and equality. Since antiquity and deeply rooted in traditions and religions all over the world, equity has had, and still has, an important position in legal and philosophical thinking. As a concept, equity has a place in law and is also featuring heavily in international policy fora (Kooiman et al. 2005).

Legitimacy

It is assumed that systems or processes that enjoy a high degree of legitimacy have a higher probability of achieving the stated goals (Kooiman 2003; Bavinck et al. 2005; Kooiman et al. 2005). Legitimacy fosters support and participation and people will be willing to contribute once they agree to the rules and regulations that are enacted.

Inclusiveness

Participation and inclusiveness are both a fundamental goal and object of value in and of itself (Kooiman 2003). It is now assumed and expected that inclusive policy-making and decision-making are treated as fundamental rights. The Arab Spring has shown the yearning of people to participate in decision-making and policy-making. Participation is also crucial for achieving other primary goals and for governments to respond directly to the needs of its citizens. In particular, participation can help to deepen democracy, strengthen social capital, facilitate efficiency and sustained growth, and promote pro-poor initiatives, equity and social justice.

Integrity

Integrity is a value and principle that society expects those elected or appointed to public office to adhere to. These standards are what safeguard the nation from corruption by politicians and public officials who have been given almost unrestricted access to public resources together with the power to take decisions that impact on

the lives of everyone and the nation as a whole. It follows that those in positions of power can use these positions to take decisions that are solely in the public interest or they can use them to benefit themselves, friends and, in the case of politicians, their party supporters to the exclusion of others. People demand that their elected representatives show integrity in conducting their duties.

Long-term orientation

To be effective, policy-making needs to be long-term in nature. Policies need to be seen as building blocks of a long-term vision for the country. Policy-makers who view their policy-making time horizon as being directly related only to their term of office will not be making an effective contribution to development. As a result, it is important that policy-makers value the long term more than the immediate.

3.6.4 Conclusion

This section has analysed in depth the second component of the governability assessment framework that is being proposed. The governing system component looks at institutional framework in which actors operate and, based on the interactive governance model, it is made up of three orders of governance. Each order has been analysed and further broken down into a number of elements. A summary tree of all indicators is presented in Figure 3.12.

The conceptual framework is now complete, as the main elements and their respective subdivisions have been presented. The next section deals with the methodological aspect of the framework and the assessment procedure.

3.7 Operationalising the framework

The assessment framework developed in the previous section has the potential of providing a comprehensive and wide-ranging analysis of governability. Given its extensive coverage, an assessment procedure is being proposed for the analysis to be implemented in countries. At the core of the procedure lies a questionnaire that is based on all the elements discussed in the previous section. This section will first look at the assessment procedure being proposed before focusing on the questionnaire and the statistical methodology adopted.

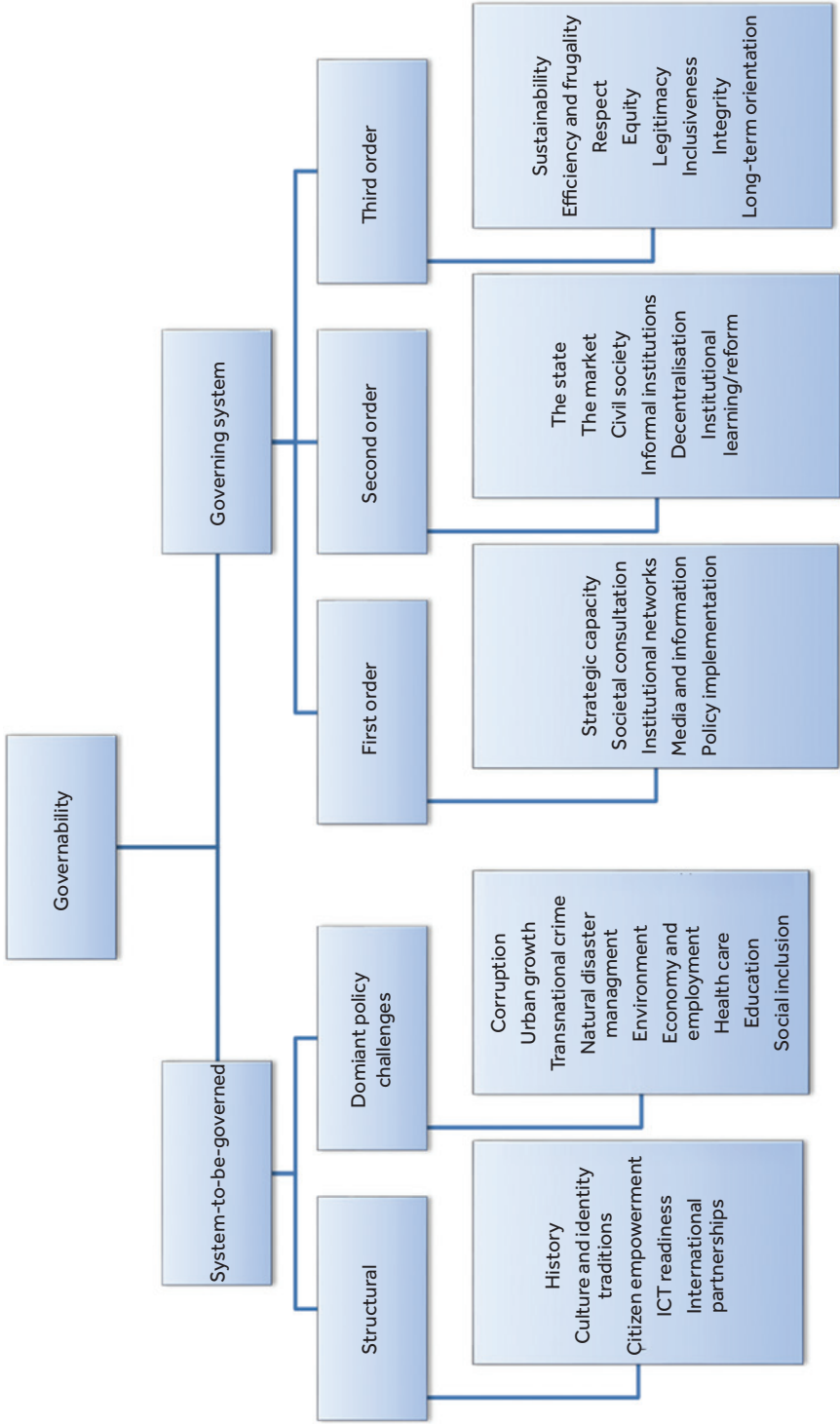
3.7.1 The assessment process

The process being proposed is a multi stage assessment procedure for each country being analysed. A schematic of this procedure is illustrated in Figure 3.13. Each phase is outlined briefly below.

First wave

The country experts who will initially answer the questionnaire are chosen and briefed about the assessment. Experts will have access to the survey questions and the

Figure 3.12 The governability assessment framework



Source: Fabri.

Figure 3.13 The assessment process

Source: Fabri.

tailored responses to each question. It is envisaged that a compendium of additional sources will be developed which can guide experts to accessing statistical data or any other relevant indicators that are relevant to the process. A similar procedure to the one used by the ‘Governance Diagnostic Surveys’ developed by Kaufmann et al. (2002) can also be used. The procedure involves getting responses to the survey from a wide set of people and not just country experts. In this case, responses from different users and actors such as citizens, business men and women, public officials and actors from civil society will be collected. This will allow cross-checking of the responses of all these groups as illustrated in Figure 3.14.

Second wave

The second wave will be identical to the first; however, different people will be asked to answer the questionnaire independently from the first wave. Such people will not have access to the results of the first wave. The idea is to get a second independent assessment.

Regional co-ordinator

A regional expert will be selected as co-ordinator and will have access to both waves of responses. This will allow the calibration of the results within the ranges of both waves. The regional co-ordinator will be able to contact the experts chosen in both waves on points of disagreement and to find a common position. A regional analysis will then be computed on the basis of the different country assessments.

Figure 3.14 Groups interviewed under a diagnostic approach

Source: Fabri.

Inter-regional comparability

If a number of assessments in different countries and regions are being carried out simultaneously, regional co-ordinators should meet to review and discuss the ratings across regions.

Report writing

On the basis of the assessments, a detailed country report will be finalised which sheds light on the findings but also provides a roadmap for the reforms needed to improve its governability standing.

Publication

The final report must be published and made accessible to all governance stakeholders. National conferences and workshops on the findings can be organised as well as a presentation of reform strategies to government. All data and assessments will be made public.

Reform process

For the assessment process to bear fruit, it must be accompanied by a reform process that will be implemented and monitored. This delicate process must be legitimised as much as possible through the participation and involvement of all stakeholders. Regular feedback needs to be given on the progress of the reform process.

Conclusion

The assessment methodology has a universal application and it is envisaged that a guide book for assessors will be developed. The main aim of the assessment is to

identify strengths and weaknesses and to identify reform priorities. In order to do so, a questionnaire based on the framework developed is proposed.

3.7.2 The questions

To operationalise the assessment framework, a set of questions was developed for each component and dimension of the framework. This concept borrows from the method utilised by the Bertelsmann Stiftung to compute the Sustainable Governance Indicators.

The questions that have been developed have four distinctive features, which are discussed below.

The first feature is that all questions are broadly framed and thus provide room for all relevant issues. Second, questions are presented in a comparative mode and this is based on the belief that governability is a matter of degree. One can speak about a continuum of governability as opposed to a binary measure of governability. A third feature is that the questionnaire provides tailored response options for each question. Respondents are instructed to adopt the standardised response options, which are based on a rating scale ranging from 1 to 10, with 1 being the worst and 10 being the best. The scale is differentiated by four response options provided for each question. The fourth feature is that each assessment question addresses a different aspect of the thematic area being examined.

3.7.3 Weighting and aggregation

Given that the assessment is based on a questionnaire with a unified scale from 1 to 10, no standardisation is required prior to aggregation. In order to aggregate, a weighting procedure is required. The equal weighting method was chosen and an additive method of aggregation was adopted for the components and subcomponents. All variables were given equal weighting and the simple average of the indicators was taken to build the respective components at each level. This method was chosen because all the variables making up the composite index were deemed to be of equal importance to the concept being measured. This method is in line with the methodology proposed by the *Handbook on Constructing Composite Indicators* (Joint Research Center of the European Commission-OECD 2005).

3.7.4 Conclusion

The framework and the accompanying questionnaire are simple to implement and operationalise. This section has given an overview of the procedure and methodology that are being proposed. The next section will look at some ways forward on implementing and further developing this governability assessment framework.

3.8 Case study: governance profiling for Malta

Malta, a small island state in the Mediterranean, has a Westminster system. Having gained independence in 1964, successive Maltese governments sought to nurture economic resilience by building a diversified economy. In 2004, Malta became a member of the European Union and in 2008 it adopted the euro. Today, Malta is

considered as a prime example of the ‘Singapore’ Paradox, a term which was coined to describe successful yet highly vulnerable states (Briguglio 2003). Malta has been placed consistently in the best-case quadrant developed by Briguglio et al. (2006).

An initial analysis using the Governance Assessment Framework is presented below.

3.8.1 Overview

Malta obtained an overall average score of 6.6 through the Governance Assessment Framework. Although Malta is usually considered to score high on governance, its performance can be described as modestly above average through this method. While performing better in the system-to-be-governed dimension, Malta seems to have done slightly less well in the governing system category as illustrated in Figure 3.15.

3.8.2 System-to-be-governed

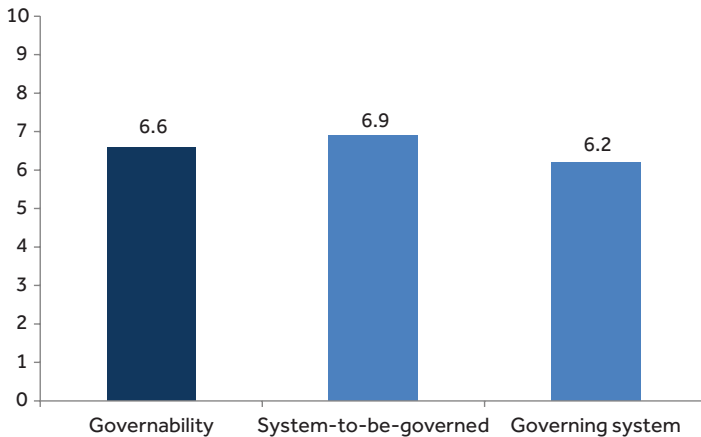
As the two dimensions have equal weighting, Malta’s structural element contributed significantly to the 6.9 average score in the system-to-be-governed indicator (Figure 3.16).

Structural elements

The structural element is made up of six elements which group 22 indicators. Malta performs well in all categories, reflecting its long and stable institutional history. Figure 3.17 illustrates the scores registered under the structural element.

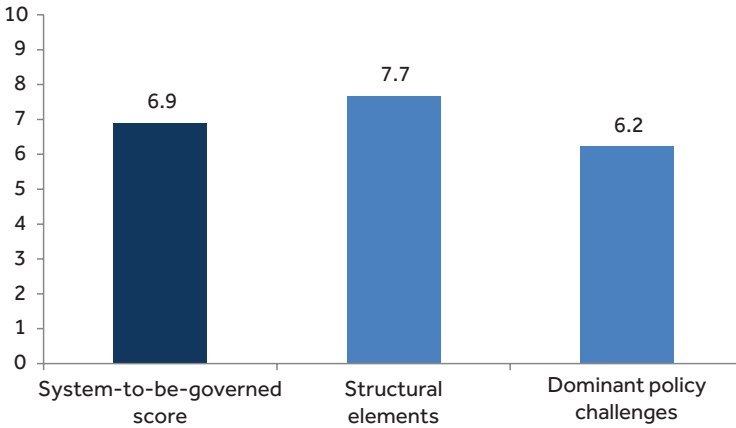
Traditions (Score 7.3)	With an average of 7.3 from three dimensions, Malta performs particularly well in two of them. In terms of perceptions, it is felt that traditional groups can co-exist well in Malta and in line with this they do not feel marginalised. However, it was felt that such groups play a marginal role in society and that maybe governments can build more on this.
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Figure 3.15 Malta's overall governance scores



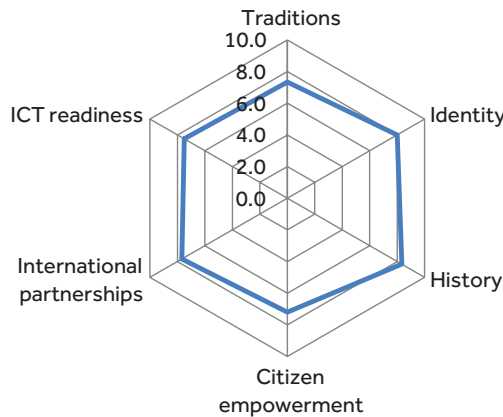
Source: Fabri.

Figure 3.16 Malta's system-to-be-governed score



Source: Fabri.

Figure 3.17 Malta's system-to-be-governed structural dimension



Source: Fabri.

Identity
(Score 8.0)

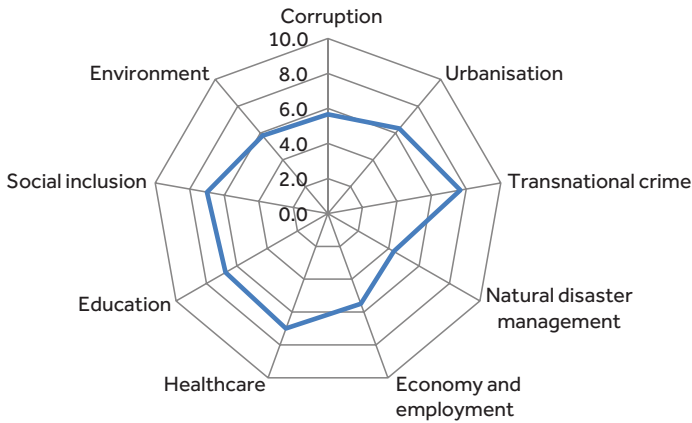
Malta performed well in the identity dimension, registering an average score of 8. There is a strong collective sense of identity in Malta, although this might change over the years. Although in the past there has been agreement on Malta's common set of values, society has been changing rapidly over the past few years. However, the survey found Malta to have made considerable efforts towards achieving common values, scoring a value of 6. Religion was found to be a unifying factor in Malta, although the influence of the church is no longer as strong as it used to be.

History
(Score 8.3)

As expected, Malta scored well in the historical element. Malta has a long history of institutional development and its 164 years of British rule served as a good foundation for the development of a Westminster system after independence. In fact it scored high

<p>Citizen empowerment (Score 7.2)</p>	<p>in the three sub elements of history, which are stability, lack of violence and democratic tradition. Membership of the European Union also helped Malta to enhance its democratic credentials.</p> <p>Grouping six indicators, Malta scores an average of 7.2. In terms of degree of involvement of its citizenry, Malta scores a mere 5. Despite high voter turnouts, this interest dissipates straight after elections. On the other hand, Malta performs well in three categories which are looking at the protection of fundamental freedoms, property rights and protection against discrimination. Malta scored a moderate 6 on civil rights. However, since the survey was completed Malta has advanced in this area since government legislated in favour of civil unions and adoptions for gay couples. In the sixth indicator, access to justice, Malta scores high.</p>
<p>International partnerships (Score 7.7)</p>	<p>Malta plays an active role in a number of international organisations and partnerships, most notably the European Union. It is also a member of other international organisations such as the Commonwealth, IMF, World Bank and others. It scores relatively well, 7.7, in this structural dimension, which has three main elements to it. Like all other small states it faces a resources constraint and it therefore needs to dedicate more resources to these partnerships. In terms of funding access, Malta has managed to leverage its European Union membership to avail itself of substantial amounts of funding, which in turn have been invested in various projects and programmes. Finally, there is a deep-rooted sense of willingness to continue to work closely with these institutions and organisations which highlights the government's willingness to co-operate and share best practices as well as to continue utilising funding programmes for the benefit of the country and its people.</p>
<p>ICT readiness (Score 7.5)</p>	<p>Malta is considered by many to be a success story in terms of e-government and harnessing the power of ICT in government and beyond. Through this assessment, Malta scores considerably well with an average score of 7.5 that covers four indicators. Malta scores high in terms of access to ICT, as close to 80 per cent have access to internet at home. There was also a drive towards e-government programmes and in fact Malta scores 7 in terms of government accessibility, which is expected to increase as more services are migrated online. In the third indicator, national strategy, Malta also scores high as ICT strategies were key drivers not only for government but also for the development of the ICT industry in Malta. This policy has been reviewed and updated accordingly. In terms of ICT in communities, a lot has been done but there is always room for improvement. Local councils have been entrusted with this function and several councils have ICT facilities and free Wi-Fi besides offering ICT literacy courses.</p>

Figure 3.18 Malta's system-to-be-governed dominant policy challenges dimension



Source: Fabri.

Dominant policy challenges

In addressing the dominant policy challenges, the second dimension of the system-to-be-governed composite indicator, Malta scored 6.2 out of a maximum of 10. Having nine main policy challenges and 34 indicators, Malta performs modestly well in this area. An overview of the indicators is illustrated in Figure 3.18.

Corruption (Score 5.7)

Malta scores a mere 5.7 in addressing corruption, reflecting the perception of high corruption in Malta. In fact, several high-profile cases of corruption in public authorities came to light in 2013 further cementing this perception. With three indicators to it, Malta performs particularly low, scoring a 4, in the legal frameworks particularly relating to enforcement. Malta also makes an average score of just 5 on the prioritisation of targeting corruption. However, corruption is expected to be given a high priority in the near future. Finally, corruption is not tolerated in Malta and there is a public sentiment against corruption.

Urbanisation (Score 6.3)

Malta scores an average of 6.3 for urbanisation, which is composed of three subindicators. With an already urbanised environment, the administrations seem not to focus much on the challenges that urbanisation will bring about in Malta and have not dedicated the necessary resources to tackle particular stresses on heavily urbanised localities. In tandem, there does not seem to be a properly devised holistic plan on how to tackle urbanisation in such localities, with piecemeal solutions being the order of the day. However, all in all, there does not seem to be any stress on the national governance system emanating from urbanisation.

<p>Transnational crime (Score 7.7)</p>	<p>With its location bordering Europe, Malta can be an attractive destination for such networks to establish themselves. This notwithstanding, Malta scores relatively well in this indicator with an average score of 7.7, signifying that it has significant capacity to deal with transnational crime networks. Its weakest link is the lack of resources; however, this is set to improve as the police force continues to absorb additional European Union funding to invest in equipment and training. On the other hand, Malta performs very well in both regional co-operation and legal frameworks.</p>
<p>Natural disaster management (Score 4.3)</p>	<p>Although an island state which remains inherently susceptible to natural disasters, Malta scores below average in this dimension. Although scoring well, 7, in contingency planning and crisis management, Malta remains limited in resources. However, as the armed forces, police corps and civil protection department continue to invest in equipment through European Union funding, Malta is expected to improve its situation in terms of resources. The absence of an early warning system is Malta's biggest weakness in this regard and as a result pulls down the average score of the composite indicator.</p>
<p>Economy and employment (Score 5.5)</p>	<p>Having a sustainable and diversified economy is critical for small states such as Malta. Although considered to be one of the most successful small state economies, Malta scores a mere 5.5 through the expert analysis of six sub indicators. Economy and employment are usually given considerable priority; however, given the improvement in competitiveness in neighbouring countries more effort has to be made in this area. It is for this reason that Malta registered a 6. This score was also registered for the diversification sub indicator. Although Malta has successfully diversified across a number of sectors, establishing varied industries such as financial services, tourism, manufacturing and aviation maintenance, more effort needs to be made to continue this diversification. New industries have still to be identified and promoted so that Malta's economy continues to reinvent itself. Malta continues to be an attractive location for investment; however, given the internal devaluation that many close competitors have implemented, safeguarding this investment attractiveness is crucial. Therefore, more effort needs to be made for Malta to retain its competitive edge. Malta scores low, a mere 4, on the labour market policy count. Although Malta has been performing well in terms of employment figures, there has been a lack of active labour market policies. However, the present administration has just launched a revised employment policy which adopts an active labour market policy stance. Even in the enterprise policy domain Malta registers a mere 5. Although the</p>

enterprise policy focuses mainly on incentives and grants, there is a lack of focus on entrepreneurship and innovation. Even in this case various initiatives are being launched and include an innovation incubator by the University of Malta, government funds and schemes, and other initiatives being undertaken by the private sector. The last indicator is fiscal policy and sustainability and Malta performs reasonably well with a score of 6. Still registering a less than 3 per cent of GDP fiscal deficit, Malta's fiscal position is considered to be good; however, more action is needed to lower the debt.

Healthcare
(Score 7.0)

Malta offers a free health service and has reached very high levels of quality. This is reflected in this assessment, as healthcare registered an average score of 7. Since the system is state-funded and accessible to all, Malta scores very high in terms of access to healthcare. However, it scores a mere 5 in terms of policy efficiency and effectiveness. Although the infrastructure is in place, Maltese healthcare seems to be plagued by a management crisis which is compounded by a lack of human resources. There is also a lack of synergy between public and private operators, although it seems that collaborations have started. The lack of financial contributions by users can also result in wastages and inefficiencies. Finally, in terms of investment Malta scores high as government invests a substantial annual budget to sustain the health service. In addition, an investment in an oncology centre is nearing completion and investments in new local health centres and an extension to the national hospital are also being discussed.

Education
(Score 6.8)

The education sector is mainly run by the government although the church and private schools do play an important role. The government provides free education to students including at university level. As a result, the public sector plays a leading role in the provision of education. Consequently, Malta scores highly in terms of access to education. In terms of policy development, the government has always been at the forefront of education policies and in implementing new teaching methods and this is reflected in the high score Malta achieved under the policy sub indicator. This notwithstanding, Malta still has a moderate illiteracy rate and, given all the investments that have been made, the statistics cast doubt on the effectiveness of the government's efforts to reduce illiteracy and that is why it registered a score of 5. Finally, Malta also registered a mere 5 in the response of educational institutions to the changing needs of society and the economy. It is felt that educational institutions can respond more to the changing needs and requirements of industry.

Social inclusion
(Score 7.0)

Malta's welfare system is well placed to sustain and promote social inclusion policies. Malta's social policy is well aligned and further reforms are expected to strengthen this sector through a more holistic and inclusive approach. In terms of priority, it has always been a central tenet of past governments and in fact Malta registers a 6 in this indicator. However, it is expected to improve further given that both the government and the newly appointed President of the Republic have stated their intentions to focus on social inclusion. In terms of female participation, Malta has made a lot of progress in this area and scores very well, as a number of measures, incentives and schemes were implemented to support female participation. Family-friendly measures together with tax breaks to incentivise female participation in the labour market have contributed significantly. Further effort is needed to sustain these increases. In terms of integration of minority groups, positive measures were introduced, especially through the activism of civil society. However, in the absence of a formal integration policy, more needs to be done, especially about third-country nationals.

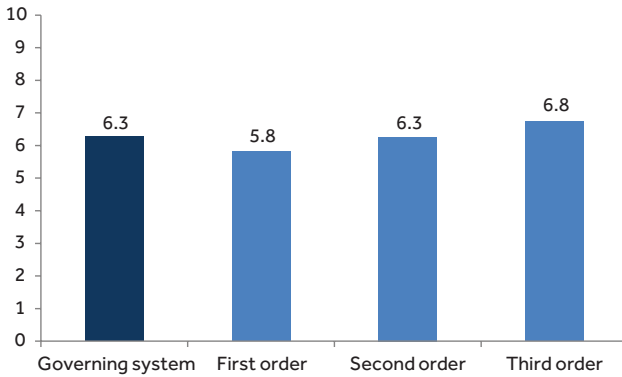
Environment
(Score 5.6)

The environment has become a central tenet of Maltese policy-making and politics. After years of it being neglected it has found itself on the agenda of Maltese policy-making thanks to the efforts of civil society in increasing society's consciousness of and interest in the environment. Although large investments were made in the sector through the use of European Union funds, the policy-making domain is not yet fully developed and holistic. It is for this reason that Malta scores a mere 5.6 in this sector, which has progressed immensely throughout the years. However, in terms of policy-making a rather piecemeal approach can still be observed and this accounts for the low rating of 5 in the policy indicator. The lack of a holistic strategy denies the possibility of achieving synergies in different areas. In terms of resources and education element, Malta scored 6. Although Malta has effectively utilised European Union funds for investment in environment, local resources are somewhat stretched. In terms of civic education on the environment, there is still a lot to be done. Education programmes focused on school children have been well received especially in terms of waste management. However, broader programmes need to be introduced for the population to be committed towards environmental protection. On the enforcement side, legal provisions do exist; however, enforcement needs to be further strengthened to be effective.

3.8.3 Governing system

The governing system indicator is composed of three sub indicators with equal weighting. Malta performs moderately well and registers a composite score of 6.3. The governing system indicator critically assesses the interactions between different actors in society and is based on three orders of governance, which are analysed in greater detail below. Figure 3.19 illustrates the governing system indicator.

Figure 3.19 Malta’s governing system indicator

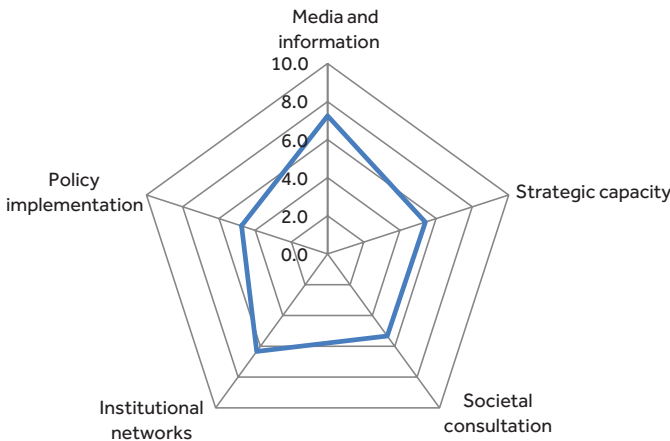


Source: Fabri.

First-order governance

Within the governing system indicator, Malta performed worst in the first-order governance dimension, scoring a mere 5.8. First-order governance seeks to shed more light on the running of day-to-day matters and is mainly concerned with the way societal problems are solved and opportunities are created. First-order governance is measured through five different dimensions and with a total of 19 leading questions. The overview is presented in Figure 3.20.

Figure 3.20 Overview of Malta’s first-order governance



Source: Fabri.

Media and
information
(Score 7.3)

In this dimension Malta performs considerably well, achieving an average score of 7.3 from four indicators. Although there are laws that seek to guarantee the independence of the media from the incumbent government, there is still a degree of influence. However, there is a redress mechanism for complaints. Despite having a pluralist media framework, the market of a small state remains constrained and not very diversified since the media houses of the political parties largely dominate local media. This notwithstanding, there is a good balance of opinions through the independent media. In terms of freedom of information, improvements have been registered in this domain, as the Freedom of Information Act was enacted only recently, giving citizens the right to have access to official information.

Strategic
capacity
(Score 5.4)

In terms of strategic capacity, Malta scores poorly, registering a score of 5.4. This composite indicator is made up of five different elements and Malta faces particular challenges in this area. Strategic planning seems to have only a modest influence in Malta. Although governments are elected on a five-year plan, there is a lack of long-term strategic planning which will then be used to base the five-year programmes on. Although strategic planning happens in individual sectors which need a long-term approach, such as waste management, there seems to be a lack of such planning across sectors. During the policy-making process, independent experts are used; however, they are still underutilised. Transparency on the choice of experts is often cited in the media, since most experts are usually close to the party in government. Expert commissions or forums can also be considered as important catalysts in policy-making. This ties in with the third indicator, the use of evidence-based instruments. In this aspect, Malta scores just the average of 5 as they are moderately used. The fourth indicator looks specifically at the centre of government. Although emphasis has always been placed on building a strong core, especially in the Office of the Prime Minister, it is still lacking some resources. Over recent years, the Office of the Prime Minister took a more active role in specific policy areas and reforms moving away from just coordinating government. However, for it to be an effective centre of government, more resources need to be channeled. Finally, ministries are not properly co-ordinated with each other. Although they follow the Cabinet decisions, they remain largely autonomous in policy implementation. In order to improve the coordination of different ministries a specific Policy Secretariat was set-up and was tasked with inter-ministerial coordination of policy papers and reforms. However this Secretariat was dismantled after the 2013 election.

Societal
consultation
(Score 5.3)

Policy consultation has definitely increased over the years, especially since EU membership. However, it remains a challenging area for Malta, as consultation needs to be further entrenched during the policy-making process. Recent controversies in policy-making decisions show that consultation is not really entrenched and is concentrated prior to elections. In terms of formal consultation, social partners are consulted on policy matters prior to decision-making. Social partners often criticise the consultation period as being not truly consultative but more communicative of ready-drafted policies. On the other hand, governments open consultation periods once a draft policy or strategy is launched. The consultation is usually open for a number of weeks and people and interested parties can attend specific meetings as well as submit comments through various channels. Informal channels such as websites and dialogue meetings are common, and the government has established a formal consultative council, the Malta Council for Economic and Social Development. Although the Council groups all the social partners and meets to discuss national priorities, it is not adequately resourced to be able to perform its function effectively.

Institutional
networks
(Score 6.3)

With an average score of 6.3, institutional networks are considerably developed in Malta. EU membership has facilitated the establishment of such networks between various actors across levels and efforts at streamlining processes have been made. There exists a considerable spirit of co-operation between different institutions and actors in Malta; however, synergies are not well established and unfortunately duplication of work and effort still exists. Although advances have been made through the use of technology, management structures and business processes did not move in tandem to open up significant areas of opportunity in creating and enhancing institutional synergies. Notwithstanding the improvements that were achieved in institutional communication through the various structures that have been created, a business re-engineering process will also lead to enhanced institutional communication.

Policy
implementation
(Score 4.8)

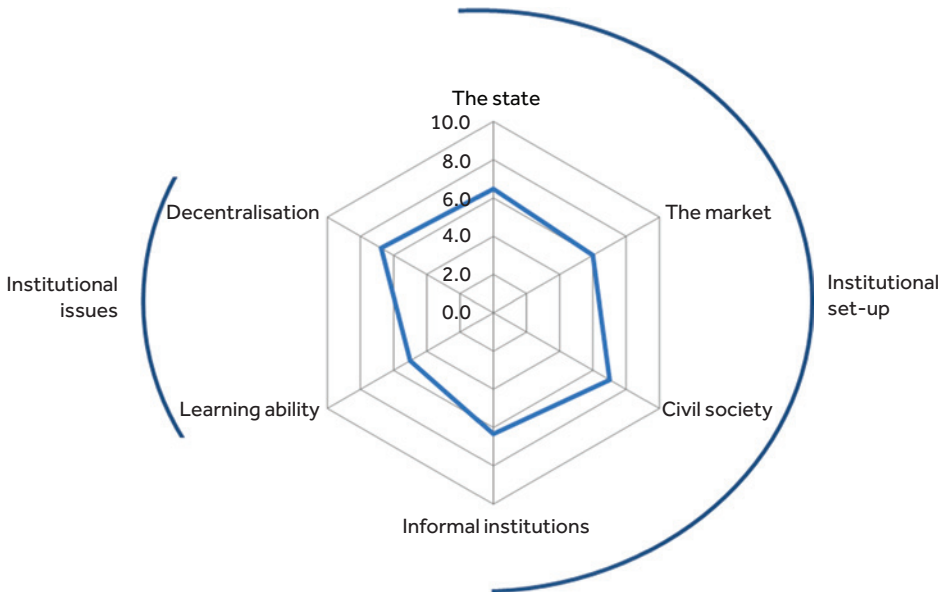
In many circumstances Malta's public service lacks the adequate capacity for effective and efficient policy implementation. This is reflected in the low score Malta achieved. Implementation monitoring is very limited and there is a need for a centralised monitoring unit which will co-ordinate and monitor the implementation of large-scale projects and policy reforms. This lack of monitoring is pervasive not only during the implementation phase but also during the evaluation phase. Performance benchmarks need to be set up against which performance is monitored and evaluated. Poor monitoring during implementation will also lead to objectives not being met.

Budget control has improved significantly and the occurrence of large budget overruns has reduced; however, better planning and monitoring will contribute to better financial planning. The government internal audit function has been strengthened considerably and is today an important catalyst in reforms and in improving work practices. However, in all dimensions EU membership has contributed immensely to improving Malta’s capacity to implement projects and policies. It is expected that as governments continue to invest resources in capacity building, both in terms of human resources and more importantly in organisational design and business processes, Malta’s performance in this dimension will also improve. However, challenges remain.

Second-order governance

The composite indicator of second-order governance looks at the factors enabling problem-solving or opportunity-creating practices and can be best described as the design, care and maintenance of these institutions that control or enable interactions to take place between actors. Registering an average score of 6.3, Malta still faces challenges. Figure 3.21 illustrates the main overview of the indicator, which is composed of two composite indicators: an institutional set-up indicator that registered an average score of 6.5 and the institutional issue indicator with an average score of 5.9. The sub indicators will be analysed in further detail below.

Figure 3.21 Overview of second-order governance in Malta



Source: Fabri.

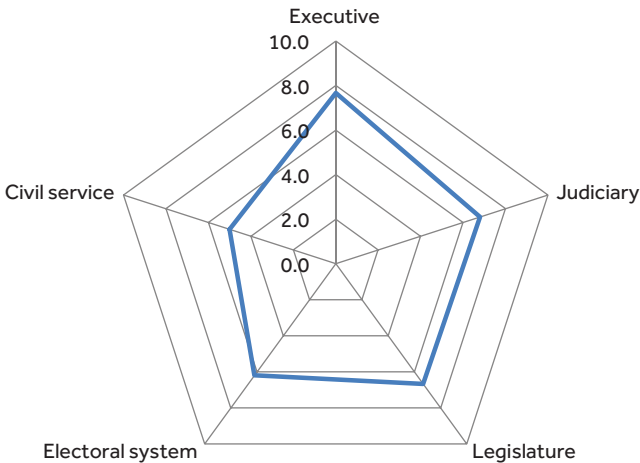
The state
(Score 6.5)

The state indicator encompasses five sub indicators and 25 leading questions. Malta scores an average of 6.5 in this composite indicator and one can conclude that the state as an institution performs very well. A detailed analysis of the sub components is given below, together with a graphical overview as shown in Figure 3.22.

Executive
(score 7.7)

The executive in Malta has developed over time and today is a well-functioning institution at the apex of the governing system. The executive is usually well resourced to implement its mandate and the prime minister has the prerogative of forming a cabinet of ministers. Portfolios are assigned to each minister, who in turn forms a private secretariat of trusted persons and experts to implement the government’s mandate in the assigned portfolio. In addition, the cabinet of ministers has a Cabinet Office that supports its work. In terms of accountability, the executive is accountable to parliament through a number of channels, which include committees and constitutional roles such as the Auditor General. Opposition members engage in parliamentary questions, which are also followed up by the media, and the various reports undertaken by the Auditor General are a testimony to the accountability of the executive. The independent media are also able to hold government accountable to its mandate. Finally, although winning elections with a slim majority can induce instability, as seen during the 1996 and 2008 legislatures, the executive has been largely stable through the years.

Figure 3.22 Overview of ‘the state as an institution’ indicator for Malta



Source: Fabri.

Judiciary
(Score 6.8)

The judicial system is totally independent from government and impartial and this freedom is safeguarded through a number of constitutional provisions. This is especially true of the appointment of judges. Although judges are appointed by the president acting in accordance with the advice of the prime minister, constitutional provisions safeguard their independence. However, Malta's judicial system is beleaguered by lack of resources and funds, making it difficult to operate effectively. Work practices have not embraced technology, and court cases are known to take unnecessarily long. This has been reflected in the EU Justice Scoreboard, which concluded that Malta has the least efficient judicial system. Although Malta scores poorly on this count, a reform process is under way which is already introducing new work practices. The Maltese police force has strengthened its resources and capacity to deal with its duties. Investments in human resources and equipment have transformed the police force into a modern and professional force.

Legislature
(Score 6.7)

Although Malta's parliament has been strengthened, the biggest disadvantage the legislature faces is that legislators are not full-timers. Over the years, various committees were set up by governments to strengthen the function of parliament and today parliament has seven committees out of which only one can be described as a monitoring committee, the Public Accounts Committee. However, the committees lack resources and it is up to the individual members to research and take an active interest in the work of the committee. Although parliamentary committees can summon experts to make presentations or to participate in ongoing discussions, committees can be precluded from calling ministers or members of parliament before a committee-stage vote is taken. Parliamentary scrutiny is enhanced through the National Audit Office, which is independent and reports exclusively to parliament. The Office still requires more resources to be able to operate effectively. The same can be said about the Ombudsman Office, which also has a number of specific commissioners – for health, education and the environment – and they too report exclusively to government. Although the Ombudsman investigates a number of alleged cases of maladministration, it has no enforcing powers. Finally, the parliamentary structure considerably reflects the social composition of the electorate. In terms of the resource capacity of parliament, Malta is relatively weak. Apart from having part-time legislators, parliament has only a small back-office, which is occupied by parliamentary business and is not dedicated to research or supporting legislators.

Electoral
system
(Score 6.2)

Malta's electoral system is regulated by the constitution and by law. The legal regulations provide fair rules and procedures for registering candidates and parties, and minimal restrictions exist. Candidates can stand either as independents or as representing a political party. Malta's electoral laws are in fact effective and impartial and, despite not having a legal obligation to vote, turnout at general elections is very high. Although Malta boasts a pluralistic media with a mix of state and independent media, parties and candidates are not all given the same treatment. Smaller parties or independent candidates are given coverage on state television, but there is a wide discrepancy between the smaller and larger parties. In addition, the two large parties both have their own media channels including radio and television stations as well as newspapers. Regulating political parties remains a key challenge for Malta as there are no party financing laws and no regulatory or monitoring body. It remains up to the discretion of the political parties whether accounts are published. However, a draft law has been presented to fill this lacuna and is up for consultation. The established political parties have a long history and are inclusive if members adhere to the main principles of the party. Parties have also developed over the years in terms of policy proposals as the electorate has become discerning. The electoral programmes are usually the result of various consultations with stakeholders and civil society. As result, parties offer plausible, reasonable and coherent policies and since the 2013 elections, the main political parties started to cost their proposals.

Civil service
(Score 5.0)

With an average score of just 5, the civil service remains a particular challenge. Over recent years, following accession to the European Union, the civil service has undergone a deep structural transformation with new procedures, structures and an ever-increasing workload. The profile of the typical member of the civil service is also changing as new young graduates continue to climb ranks. However, given the requirements of the civil service, it requires more resources to be able to perform its duties effectively. The generational change and the ongoing structural transformation are improving the work ethos and drive of the civil service to deliver its services efficiently, but the challenge remains. Although the Public Service Commission has introduced a system of examinations for promotions together with an extensive training programme, the perception is still that the civil service is built on meritocracy to some extent but more influenced by political connections. Although several inroads and advances have been made in innovative service delivery, mainly through e-government, more needs to be done to improve innovation and to introduce new business processes. Excessive

bureaucracy and duplication of services still beleaguers the civil service. Closely related to this is the issue of organisational design, which unfortunately does not allow the civil service to be agile. This lack of flexibility might compromise its ability to reap opportunities and tackle upcoming threats. The Office of the Ombudsman investigates a good many complaints.

The market
(Score 6.0)

Although small in size, the Maltese market has evolved and matured over time as a key policy player. Business leaders have formed a strong Chamber of Commerce and Industry, which has established itself as an active and professional stakeholder in the policy-making process. Additional stakeholders representing the market have also been established and include the Malta Employers Association and the General Retailers and Traders Union, representing the small and medium-sized enterprises (SMEs). All these stakeholders have developed the capacity, albeit limited, to offer feedback and policy proposals and all are represented on the Malta Council for Economic and Social Development, the formal consultative council. In terms of corporate governance, the larger firms have well-established corporate governance practices, especially those with foreign interests. However, there is always room for improvement, especially as SMEs continue to grow and develop. The environment in which market agents operate is considerably enabling towards investment and growth. Various initiatives have been launched, including investment schemes and investment guarantees, and other EU-funded schemes have contributed. Measures to reduce bureaucracy and the launch of a one-stop shop for government services have also alleviated several problems. As government continues to reduce bureaucracy and streamline work practices, the enabling environment is set to continue improving.

Civil society
(Score 7.0)

Over the years, especially following Malta's accession to the European Union, civil society has grown in both scope and relevance and today is considered a key lobbyist and stakeholder, especially in the areas of the environment and migration. In terms of capacity to propose policies and give feedback on policy proposals, civil society organisations are usually very well developed. With access to experts on the subject, who are usually heavily involved in the associations, as well as numerous other volunteers with a genuine interest in the subject and cause, civil society is well placed and developed as a stakeholder. Malta has a Commissioner for Voluntary Organisations through whom voluntary organisations register themselves and comply with various procedures to enhance transparency. The lack of enforcement powers of the Commissioner reduces the efficacy of this office although many organisations have in fact registered, since some funding schemes require such registration. This is also tied in with funding resources made

available to such organisations. Civil society has access to various funding channels, which include both national funds and European funds. Several organisations have tapped into European funding programmes and projects, which have also made a difference to society at large. Some civil organisations are also deeply involved in service delivery together with government. Examples of this exist in health, education and culture with local organisations contributing significantly in service delivery.

Informal institutions
(Score 6.3)

Scoring an average of 6.3, Malta's informal institutions are well developed and make an important contribution to the policy-making and governance process. A good relationship exists between formal and informal institutions and there is a healthy spirit of co-operation in matters of concern and interest. A spirit of inclusiveness exists, as such institutions are also included in the consultative forums that are created, thus contributing to the communication that exists between all institutions and actors.

Learning ability
(Score 5.0)

Malta's institutional set-up scores low on its learning ability. It scores particularly low in terms of existing feedback loops in the institutions for review and change. Unfortunately, the mind-set is still focused on meeting deadlines and targets rather than learning to improve work processes and methods. Although entry into the EU has helped, the public service still lacks leadership at most levels to drive this forward. This notwithstanding, changes and reforms have taken place; however, the bureaucracy involved might reduce the flexibility and agility needed to adjust work processes.

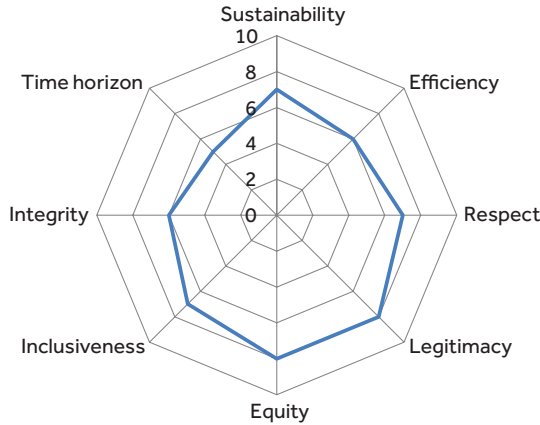
Decentralisation
(Score 6.8)

In terms of decentralisation, Malta has invested particularly in local government and today Malta has a well-functioning system which has been reviewed to better address today's challenges. With a decentralised governance structure in place, however, there is still a considerable amount of centralisation. Funding for decentralised structures has improved over the years, especially through European funding and programmes. Not all sub central tiers have the resources needed to carry out their responsibilities and it is mainly a matter of human resource capacity. More capacity-building programmes are needed to assist these tiers of government to improve their contribution. Although there is considerable co-operation between different partners, there is still room for improvement in co-ordination and in reaping synergies between different partners.

Third-order governance

Among the three orders of governance, Malta registered its best performance in third-order governance, with an average score of 6.8. This composite indicator is composed of eight guiding values that were deemed to be the most relevant for policy-making in small states. Figure 3.23 gives an overview of Malta's performance in third-order governance.

Figure 3.23 Overview of third-order governance in Malta



Source: Fabri.

Sustainability
(Score 7.0)

Following Malta’s membership of the European Union, sustainability started to play an increasingly important role in Malta across the sectors. As Malta is a small island state, sustainability is central to its long-term success. Although sustainability started becoming an important policy concern only recently, it has managed to be a concern across a number of sectors. In the economic sphere, the sustainability of public finances has been given a lot of importance as a policy concern and so has the sustainability of pensions. The policy for the environment and waste management was also built around the central tenet of sustainability. Although it is being given due importance, sustainability still needs to be further entrenched into the policy-making process.

Efficiency and frugality
(Score 6.0)

The search for efficiency and frugality in Maltese policy-making has never been given significant importance, especially in the policy-making process itself. A drive to cut bureaucracy and to streamline processes has started and this is meant to result in efficiencies across the public sector. Further effort is needed for efficiency to be translated into a guiding value.

Respect
(Score 7.0)

Respect towards institutions has matured over time with an ingrained rule of law. Respect towards institutions was entrenched through the establishment of wide-ranging policies and procedures especially following EU membership. However, this respect is not guaranteed and civic education has to continue contributing to this respect.

Legitimacy
(Score 8.0)

Reflecting the high degree of respect, governments try to achieve a sense of legitimacy for policy proposals and reforms.

Equity (Score 8.0)	Malta's society is characterised by a sense of equity, and policy-making is also guided by this value. The strong welfare state that has been built over the years and the political convergence towards the centre-left on social issues have led to equity being cemented as an important guiding principle.
Inclusiveness (Score 7.0)	Inclusivity is sought by policy-makers and is usually a guiding value in policy-making. However, a challenge remains in Malta for inclusivity to bridge the political divide and also with third-country nationals, especially irregular migrants.
Integrity (Score 6.0)	Although integrity is still considered an important benchmark and several codes of ethics and codes of conduct have been enacted, there is still a need for effort to be made towards ensuring that the value of integrity is truly respected. The various cases of policy-makers and judges that either breached the codes of ethics or were involved in corruption scandals further highlight the challenge that exists.
Time horizon (Score 5.0)	Unfortunately, the political cycle can leave undesired effects on policy-making. Because of the five-year cycle, some difficult decisions are not taken, reducing the time horizon of policy-making to an unnaturally short period. Political parties need to mature further and to think beyond election deadlines and contribute more towards a longer time horizon in policy matters.

3.8.4 Conclusions

Although this is only an initial country assessment, the framework and codebook have been shown to be comprehensive and holistic in their assessment of governance. From this single country case study it is apparent that a diagnostic approach is needed to compile the report from the codebook. Various experts from different backgrounds need to be interviewed in order to get a fair and complete assessment of governance in a particular country from the direct participants in the governance process. In addition, it is crucial to have a country reference manual with various sources which can be used and stated as case studies. Country case studies will add value to the analysis and a thorough research exercise is warranted across a number of sources, not least the independent media.

3.9 Conclusion

Policy-making is becoming more complex and the need for resilience building is becoming more urgent, while traditional governing models are evidencing strains.

The governance model based on political decision-making in governments and bureaucratic implementation seems able to offer neither an all-inclusive way of governing society and the economy nor an understanding or prescription of policies and reforms so that governing might be facilitated in today's complex societies. Heavy reliance on formal political institutions as the only route towards good governance

places developing countries at a disadvantage since the Western institutional model is not fully developed in these countries.

This growing frustration with the traditional model of governance prompts us to focus more on governing processes rather than on governing institutions. This is born out of the fact that governance is inherently about interactions between different actors. Therefore by focusing less on the formal institutional arena, policy-makers can benefit from envisioning the factors that influence the processes through which different actors from different levels and sectors come together to solve problems and create new opportunities.

The idea behind this chapter has been to advance the interactive governance paradigm onto a conceptual national governance model in order to further develop the knowledge of governance. This model was further transposed into a governability assessment framework which allows a holistic view of a country's governance framework and processes. The snapshot generated through this assessment framework will also chart possible reforms that are needed for a country to improve its processes and ultimately its resilience through better governance.

Although the assessment framework was developed, a proper implementation of it in a number of countries still needs to be undertaken in order to test its completeness and robustness. In this regard, it is envisaged that a virtual questionnaire be developed for country experts and policy actors to be able to complete the questionnaire online. This virtual platform will allow an automatic aggregation of the results, as well as a visual analysis.

It is recommended that further research and development be undertaken on both the conceptual model and the research questions that operationalise the framework. Various challenges exist in advancing the model, especially on a methodological level, which can be addressed only after testing it beyond single-country case studies. In addition, the codebook needs to be complemented by a country book on sources and literature that can be used in the compilation of the report.

This chapter has sought to contribute to the literature on governance and resilience by proposing a holistic governability assessment framework which can be further developed through additional research.

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