4. GOOD GOVERNANCE

Poor governance may be the world's most pressing development challenge. It has far-reaching consequences affecting all other aspects of human development, particularly those related to economic prosperity and social and political stability. Against this backdrop, the present chapter sets out two key findings. First, governance is the most significant challenge in the DCI and the only component that is on the rise

globally. Second, conspicuous regional and subregional gaps exist in key indicators of government effectiveness, particularly in the Arab region.

Towards answering the complex question of what determines good governance, the present chapter unpacks the governance index to better understand its internal dynamics. It considers whether there is a trade-off between good governance practices, including those pertaining to the rule of law, accountability and participation, and government effectiveness, centred on the degree of satisfaction with institutional performance and the quality of public service delivery. The chapter argues that there is no need for a trade-off; countries should pursue both.

A. Main findings

Over 2000-2020, the world's average and average regional governance challenges increased, outside East Asia and the Pacific and the Arab region, which witnessed slight improvements (figure 33). The Arab region's score on the index, however, was still higher than before the 2011 uprisings.

For many regions, and for the world average, the government effectiveness component of the index has decreased since 2000. Government effectiveness still has a higher share than democratic governance in the baseline as well as the most recent year for all regions, however, except East Asia and the Pacific, where the democratic governance share is higher.

An overall increase in the democratic governance component is largely due to increased challenges in most regions. Sub-Saharan Africa and the Arab region witnessed slight improvements, with the former remaining in the medium-challenge category and the latter in the very high-challenge category.

While the Arab region faces the highest governance challenges and has the highest score on the democratic governance dimension, Sub-Saharan Africa has the highest government effectiveness challenge. The reasons include

poor infrastructure and public services and insufficient public expenditure. For example, most roads are poorly maintained and often unpaved, ports are inefficient by global standards and electricity infrastructure is the world's least developed, accessible and reliable.[38] In public services, Sub-Saharan Africa's investment in health is particularly low, with expenditure at 5.2 per cent of GDP in 2018 compared to a world average of 9.9 per cent.[39] Out-of-pocket expenditure as a percentage of current health expenditure, which can be used as a proxy for the equity of the health system of a country, was 33 per cent in Sub-Saharan Africa compared to a world average of 18 per cent.[40]

"Sub-Saharan Africa's investment in health is particularly low, with expenditure at **5.2** per cent of GDP in 2018 compared to a world average of **9.9** per cent."

Figure 33. Governance challenge index regional scores and dimension shares, 2000, 2010 and 2020
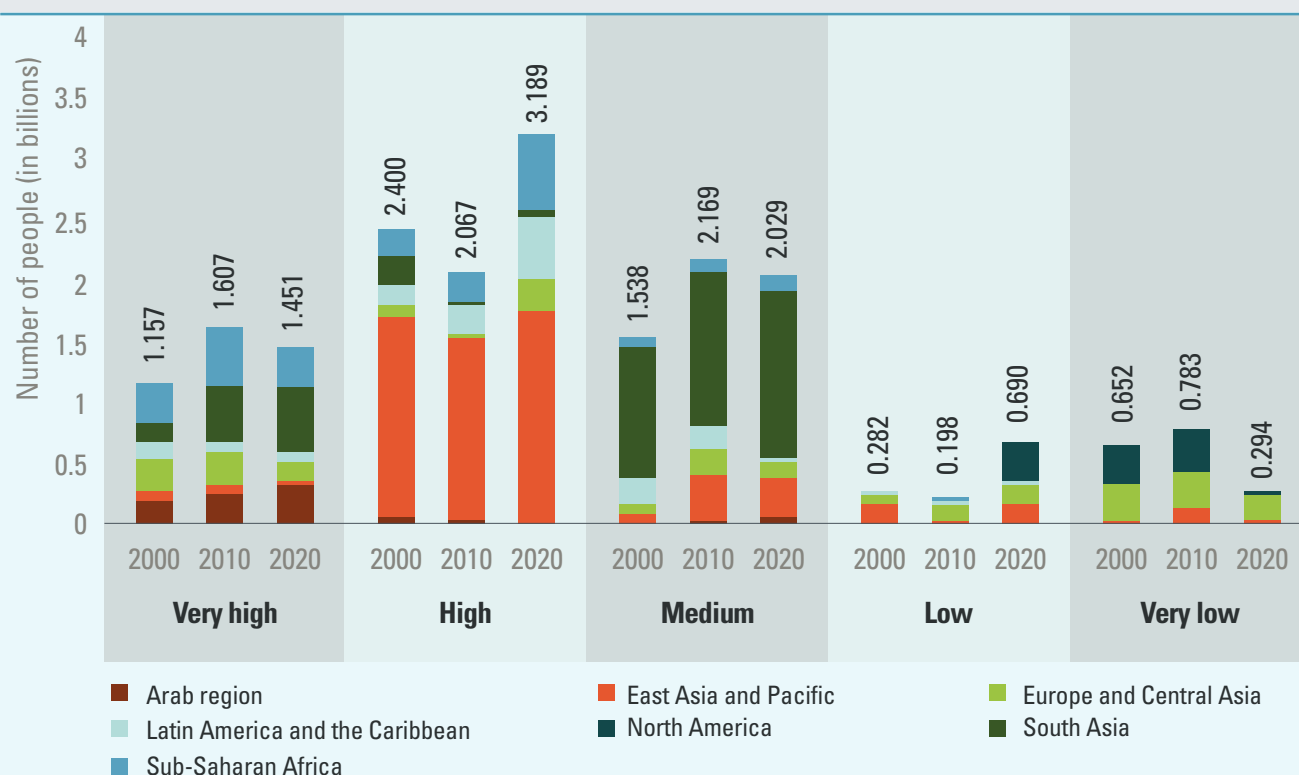

Government effectiveness challenge index

Democratic governance challenge index
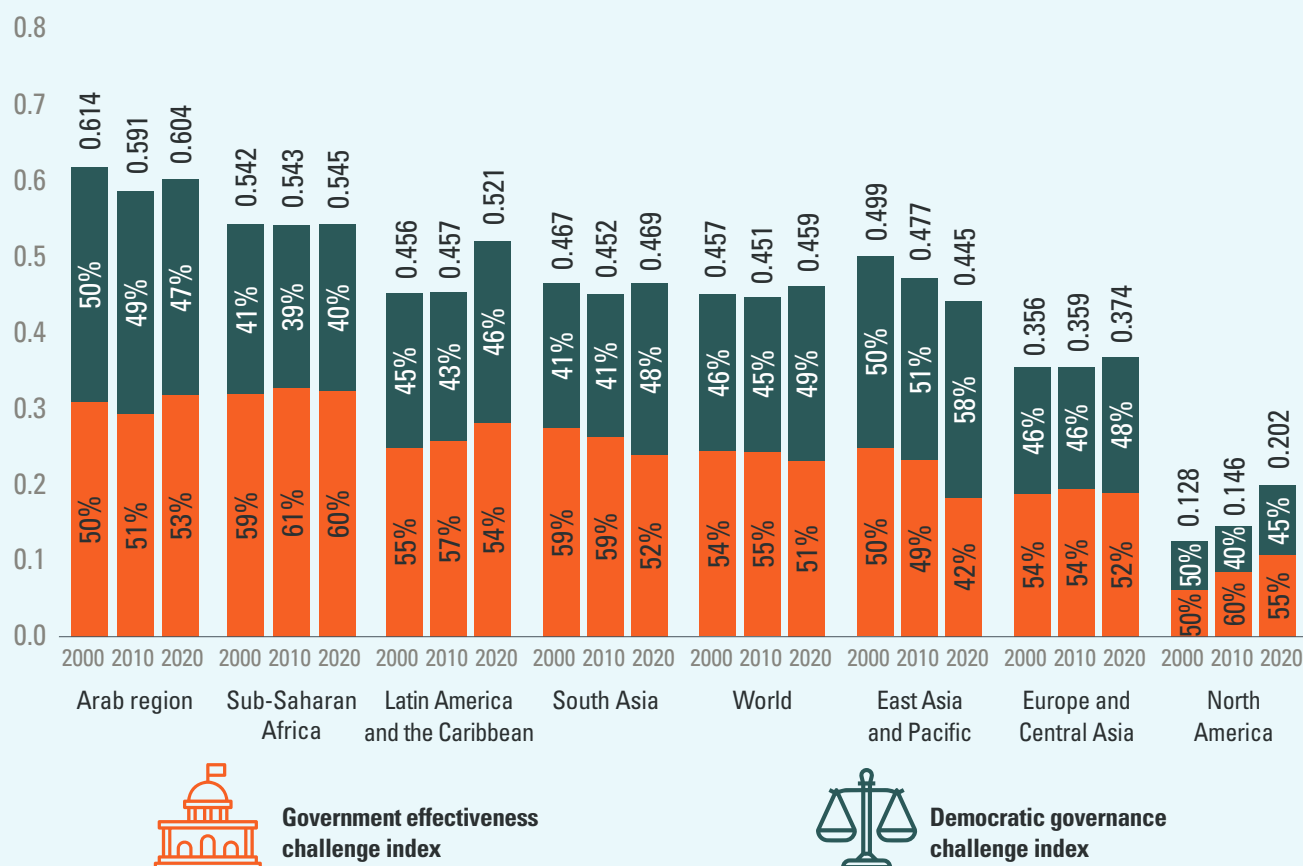
Regarding the distribution of world population across the five challenge categories, the largest share lives in high-challenge countries as was true in 2000 (figure 34). In 2010, however, the highest number of people was in the medium-challenge category. A noticeable deterioration between 2010 and 2020 was mainly driven by an increase in governance challenges in some Sub-Saharan African as well as European and Central Asian countries. The increase from a high to a very high level in some countries between 2000 and 2010, such as Iran and Sri Lanka, led to more people living in countries with very high governance challenges. People from all regions are in the very high-challenge category, with the exception of North America, which has low governance challenges.

Georgia, which witnessed fast-paced government reforms after the Rose Revolution in 2003,[41] registered the highest overall improvement in rank over 2000-2020
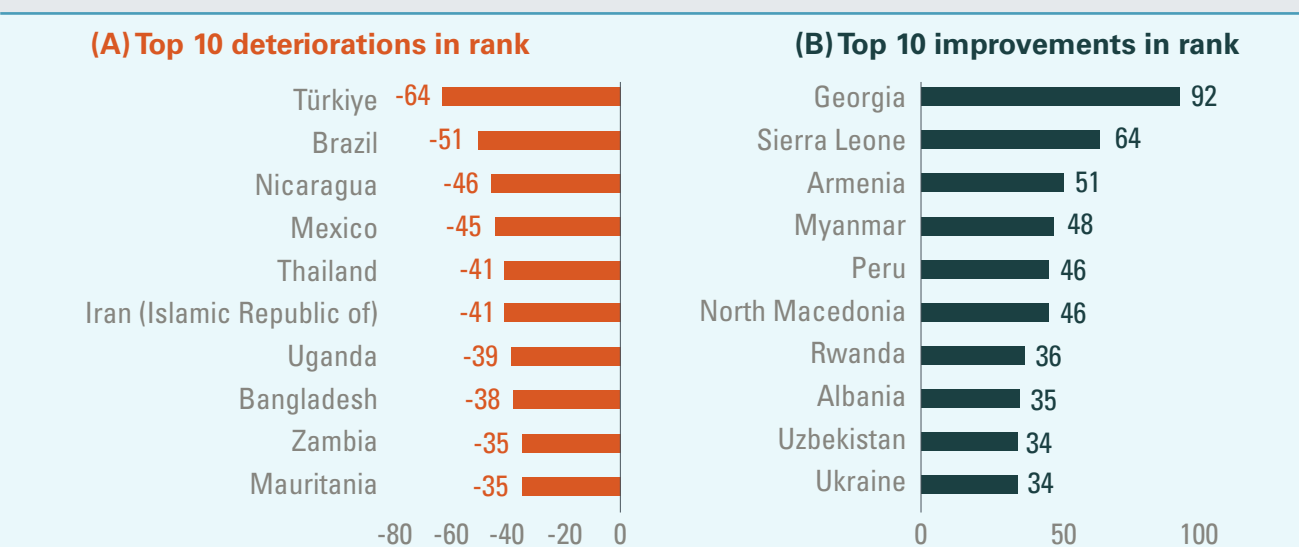
(figure 35). Peru, with the highest improvement in rank on the quality-adjusted human development challenge index, also appears among the top 10 countries improving on the governance challenge index. This highlights the importance of governance in driving quality-adjusted human development. Türkiye witnessed the highest overall deterioration in its governance challenge rank from 2000 to 2020. This could be attributed to several events including electoral law reforms that gave more control of ballot stations to government officials; the state of emergency that has been extended several times to give more authority to governors; the jailing of Peoples' Democratic Party deputies; and the sales of media groups to government-friendly businesses.[42] Iran is also among the bottom 10 in the loss of rank. It has witnessed significant increases in government effectiveness and democratic governance challenges, which were already in the high- and very high-challenge categories, respectively.

Figure 34. **Population in each governance challenge index category by region, 2000, 2010 and 2020**

Legend:
- Arab region
- East Asia and Pacific
- Europe and Central Asia
- Latin America and the Caribbean
- North America
- South Asia
- Sub-Saharan Africa

Source: ESCWA calculations.

Figure 35. **Top deteriorations (left) and improvements (right) in rank on the governance challenge index (2020 rank minus 2000 rank)**

(A) Top 10 deteriorations in rank

Country	Value
Türkiye	-64
Brazil	-51
Nicaragua	-46
Mexico	-45
Thailand	-41
Iran (Islamic Republic of)	-41
Uganda	-39
Bangladesh	-38
Zambia	-35
Mauritania	-35

(B) Top 10 improvements in rank

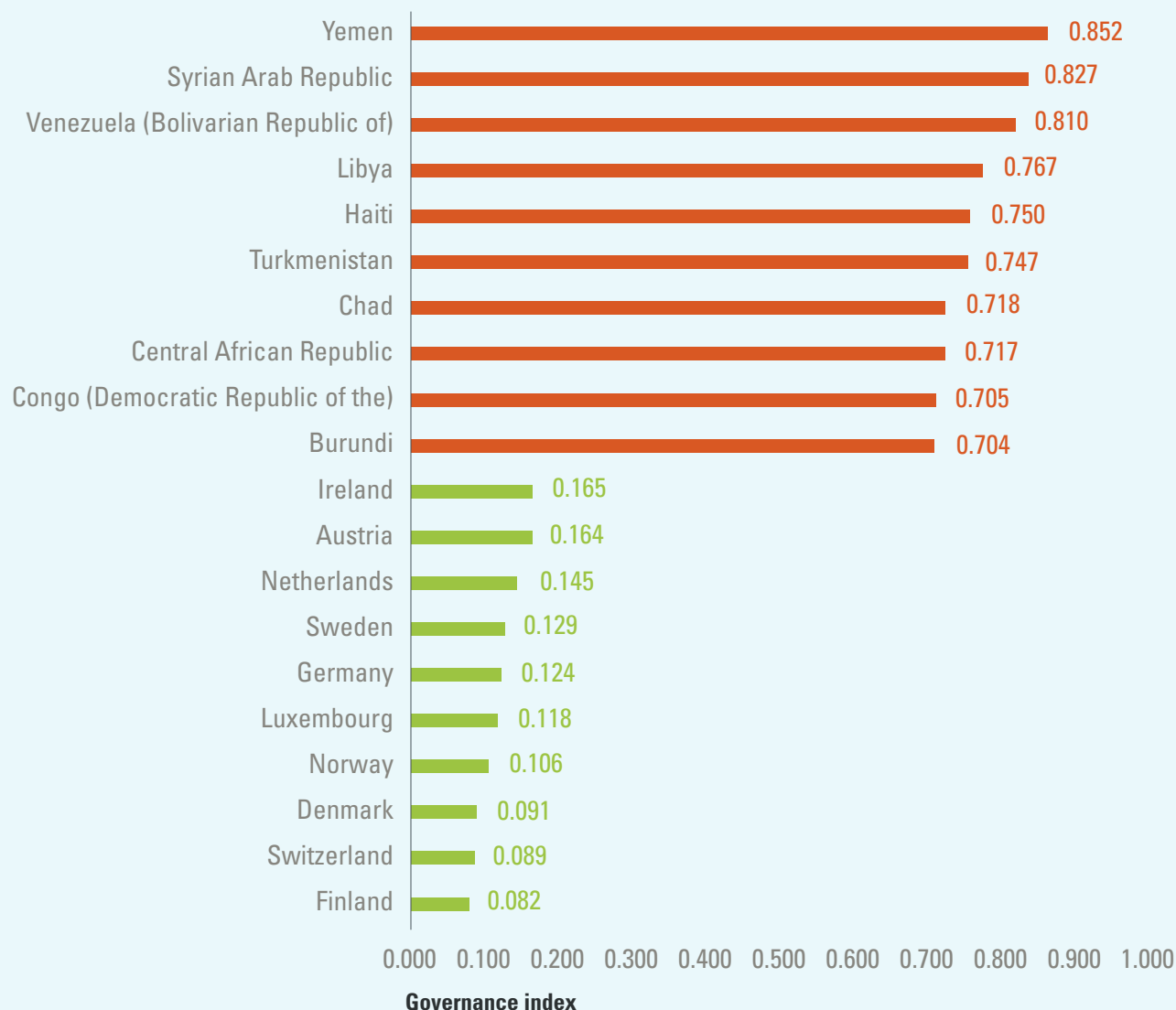| Country	Value
Georgia	92
Sierra Leone	64
Armenia	51
Myanmar	48
Peru	46
North Macedonia	46
Rwanda	36
Albania	35
Uzbekistan	34
Ukraine	34

Source: ESCWA calculations.

Regional aggregates conceal wide subregional variations. This is evident when looking more closely at the most and least challenged places in terms of governance (figure 36). For example, while North America is the least challenged on governance, countries with the eight lowest scores on the challenge index are in Europe and Central Asia. Nonetheless, other countries in Europe and Central Asia face very high governance challenges, which drives up the region's average.

Denmark, Norway and Switzerland are among the five least challenged countries in terms of governance. They are also among the five least challenged on the DCI. Haiti and Yemen are among the five most challenged on both. Despite some exceptions, countries with good performance on the governance challenge index tend to have fewer developmental challenges compared to countries with poor performance on governance,[43] showing again the association between governance and human development outcomes.

Figure 36. Least (green) and most (red) challenged countries globally on the governance challenge index, 2020

Country	Governance index
Yemen	0.852
Syrian Arab Republic	0.827
Venezuela (Bolivarian Republic of)	0.810
Libya	0.767
Haiti	0.750
Turkmenistan	0.747
Chad	0.718
Central African Republic	0.717
Congo (Democratic Republic of the)	0.705
Burundi	0.704
Ireland	0.165
Austria	0.164
Netherlands	0.145
Sweden	0.129
Germany	0.124
Luxembourg	0.118
Norway	0.106
Denmark	0.091
Switzerland	0.089
Finland	0.082

Source: ESCWA calculations.

B. Influencing factors

1

Respect for human rights and basic freedoms

Governance has four underpinnings: structure, process, mechanism and strategy. Structure refers to both formal and informal institutions. Process implies the complex dynamics of policymaking. As a mechanism, governance entails institutional control and compliance procedures. As a strategy, it reflects stakeholders' decisions on all other dimensions. Democratic governance can be construed as a system of collectively binding traditions, rules and policies that regulate a society. These are created, modified and controlled by its members through participative and representative arrangements, based on respect for human rights and equal rights and obligations.[44] Although it is possible for the State to provide services to citizens without ensuring the protection of human rights, an environment that safeguards rights and freedoms is at the heart of a development and capability approach.

While the governance challenge index considers the process and outcomes of governance, good governance and human rights go hand in hand. This requires probing both jointly. For instance, laws and institutions protect human rights, and these institutions operate better and gain more legitimacy if rights are protected for all citizens. A strong correlation is evident between the governance challenge index and human rights and freedoms indicators from the Varieties of Democracy data set, including the simple average of the indicator on harassment of journalists and government censorship of the media, and the simple average of the indicator on freedom from political killings and freedom from torture (figure 37).
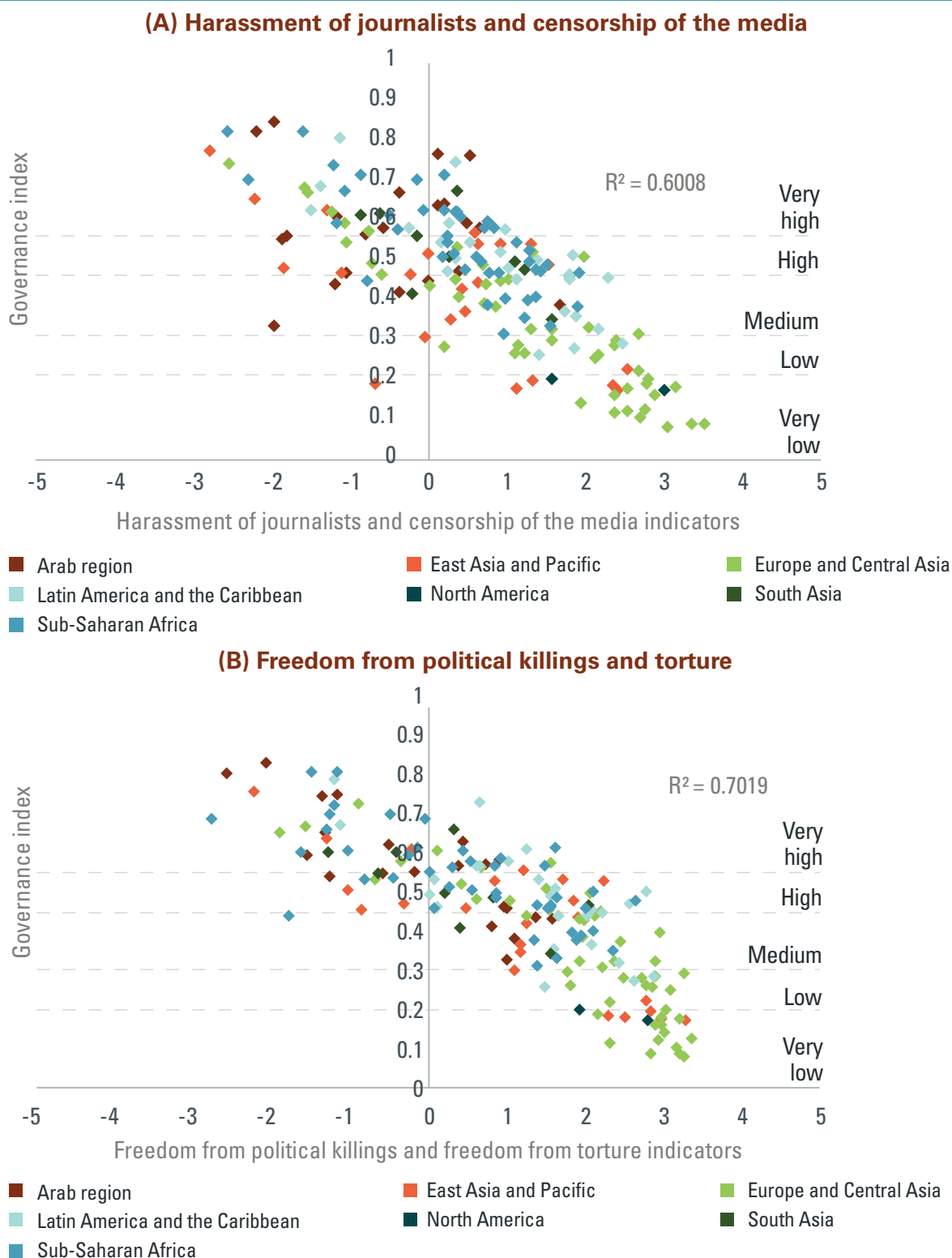
Countries that face high challenges on human rights and fundamental freedoms often perform poorly on governance. High human rights and governance challenges are driven by threats to fundamental freedoms and low levels of participation.[45] Canada and Sweden are among the top performers on these indicators, which complements their low governance challenge and overall development challenge scores. In contrast, the Arab region shows conspicuous deficits in human rights, reflecting various infringements on rights and individual liberties and the repressive nature of many regimes. These deficits are important to address, especially in view of the demands of the Arab uprisings.

A look at the relationships between human rights and freedom indicators and each of the governance challenge dimensions shows a stronger correlation between human rights and freedoms and democratic governance challenges (figure 38). This relationship could be explained by the fact that democracy is a political system that functions properly by guaranteeing fundamental rights and freedoms.[46] Moreover, since laws and institutions are needed to protect human rights and freedoms, human rights and good institutions tend to go hand in hand. A relationship, though weaker, also appears between human rights and freedoms indicators and government effectiveness challenges. This could be explained by the fact that for governments to be effective, basic human rights must be guaranteed to ensure that citizens can participate and engage with their government.
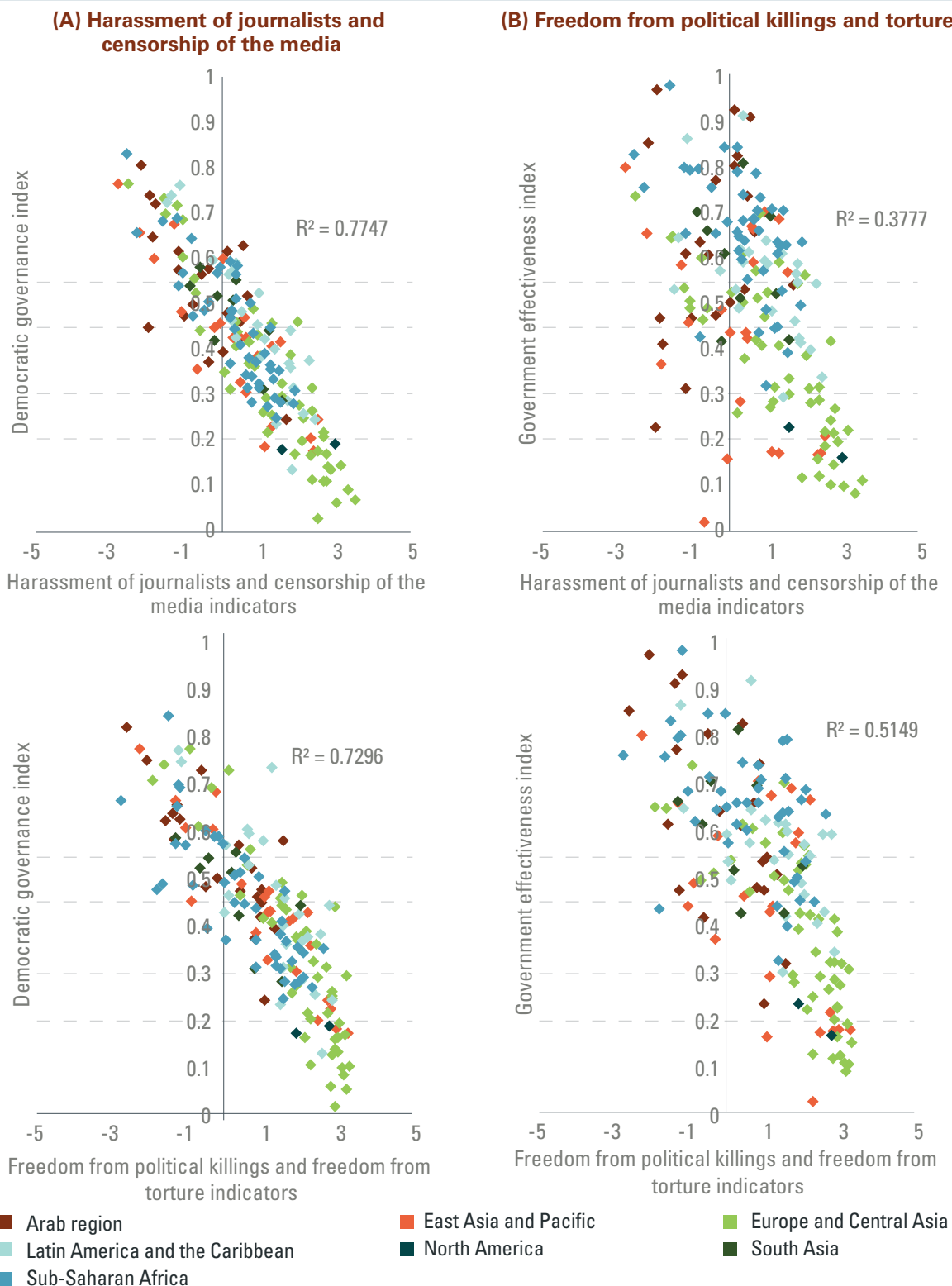
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Figure 37. Governance challenge index and human rights and freedoms indicators, 2020

(A) Harassment of journalists and censorship of the media

(B) Freedom from political killings and torture

Figure 38. Human rights and freedoms indicators and governance challenge index dimensions, 2020

(A) Harassment of journalists and censorship of the media

$R^2 = 0.7747$

Democratic governance index

Harassment of journalists and censorship of the media indicators

$R^2 = 0.7296$

Democratic governance index

Freedom from political killings and freedom from torture indicators

(B) Freedom from political killings and torture

$R^2 = 0.3777$

Government effectiveness index

Harassment of journalists and censorship of the media indicators

$R^2 = 0.5149$

Government effectiveness index

Freedom from political killings and freedom from torture indicators

- Arab region
- Latin America and the Caribbean
- Sub-Saharan Africa
- East Asia and Pacific
- North America
- Europe and Central Asia
- South Asia

Box 3. Governance, democracy and human rights measurement conundrums

A debate took place in preparing this report, wrestling with whether to include human rights and freedoms as part of the DCI's governance index. There were two main opinions driven by equally valid normative considerations. The first, reflected in the DCI framework, is that democratic governance indicators (the rule of law and access to justice, institutional accountability and participation) and the quality of delivery of public services (as measured by the government effectiveness index) in combination are fundamental determinants of human rights outcomes, if for different reasons. Following Occam's Razor, there is no need to include human rights and freedoms as a separate category. The second opinion was that the very nature of human development necessitates including indicators on individual human rights and freedoms.
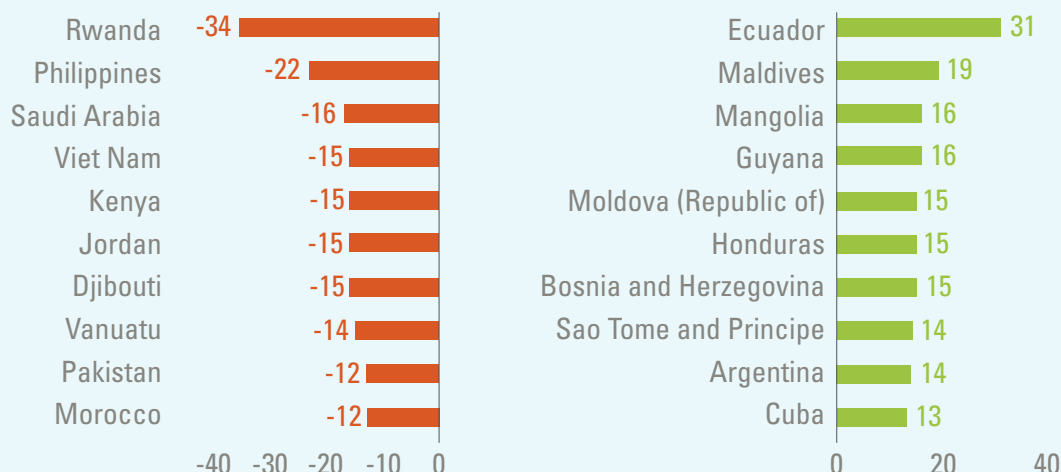
Following this discussion, an index sensitivity analysis included human rights and freedoms as a dimension of the governance challenge, awarding it a 25 per cent weight, along with 25 per cent for democratic governance and 50 per cent for government effectiveness. The human rights and freedoms dimension was computed as the arithmetic average of four indicators reviewed in this section, namely: harassment of journalists, government censorship of the media, freedom from political killings and freedom from torture. All were standardized using the regular min-max formula and subtracted from a maximum of 1 to reflect the degree of challenges.

The figures below show the results. The adopted governance challenge index and a governance challenge index expanded by these indicators show a near perfect correlation. For the vast majority of countries, the inclusion of these indicators did not change the ranking. For a few countries, including four Arab countries, there were significant losses in rank on the DCI using the expanded governance challenge index (marked in red).

The expanded governance index and the governance challenge index
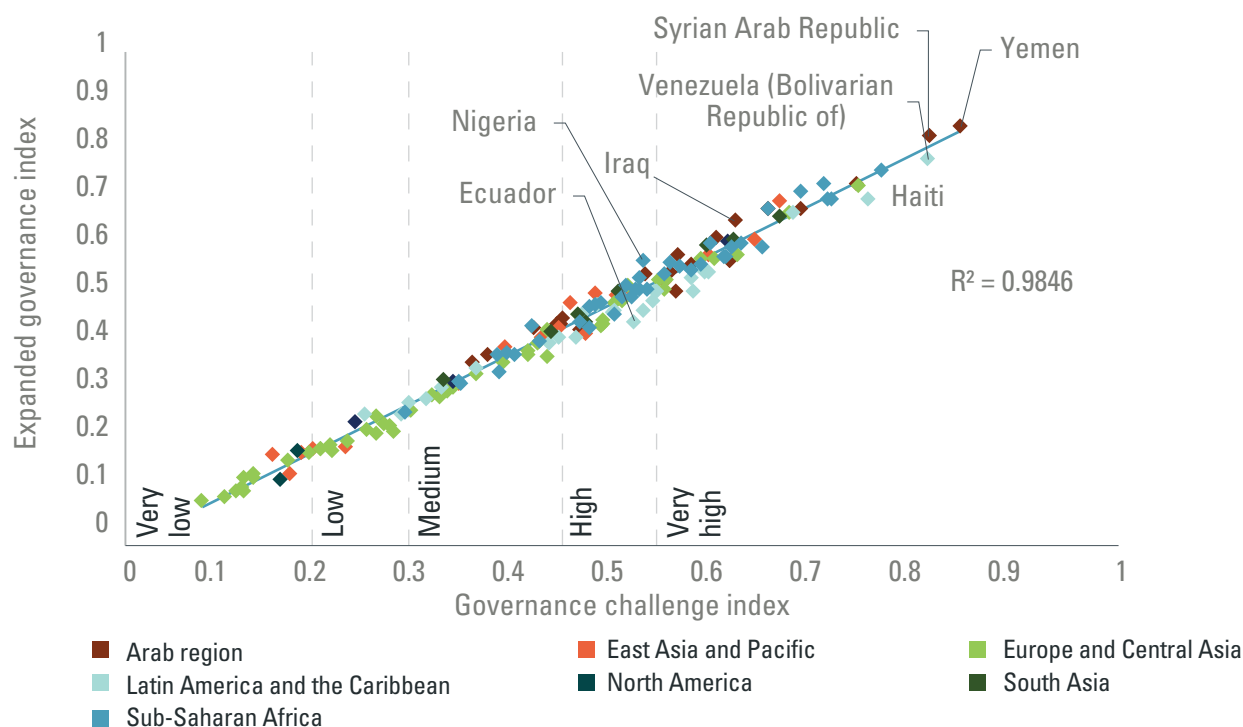
Source: ESCWA calculations.

Top deteriorations (red) and improvements (green) in ranks on the DCI using the expanded governance index

Country	Value		Country	Value
Rwanda	-34		Ecuador	31
Philippines	-22		Maldives	19
Saudi Arabia	-16		Mangolia	16
Viet Nam	-15		Guyana	16
Kenya	-15		Moldova (Republic of)	15
Jordan	-15		Honduras	15
Djibouti	-15		Bosnia and Herzegovina	15
Vanuatu	-14		Sao Tome and Principe	14
Pakistan	-12		Argentina	14
Morocco	-12		Cuba	13

Source: ESCWA calculations.

2 Absence of conflict

A lack of human rights and freedoms prevents people from enjoying a decent life as do gaps in essential public services. Both can be major drivers of violence and conflict, which explains the strong correlation between the governance challenge index and the Global Peace Index produced by the Institute for Economics and Peace (figure 39). The peace index includes 23 quantitative and qualitative indicators on the level of societal safety and security, the extent of ongoing domestic and international conflict, and the degree of militarization. The strong correlation is a result of the association of the index with both democracy and effectiveness.

Many countries with acute governance challenges and high levels of violence relative to their governance challenge scores are conflict-affected Arab countries, which shows that poor governance has had an especially severe impact in the Arab region.

Over time, poor governance and unaccountable and ineffective public institutions can exacerbate political and socioeconomic exclusion and worsen systemic inequality and human rights violations. Thwarted citizen aspirations for governance systems that respect human dignity may fuel popular discontent with the State and its institutions. This can prompt widespread social unrest, political instability and serious conflict.

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Figure 39. The governance challenge index and the Global Peace Index, 2020
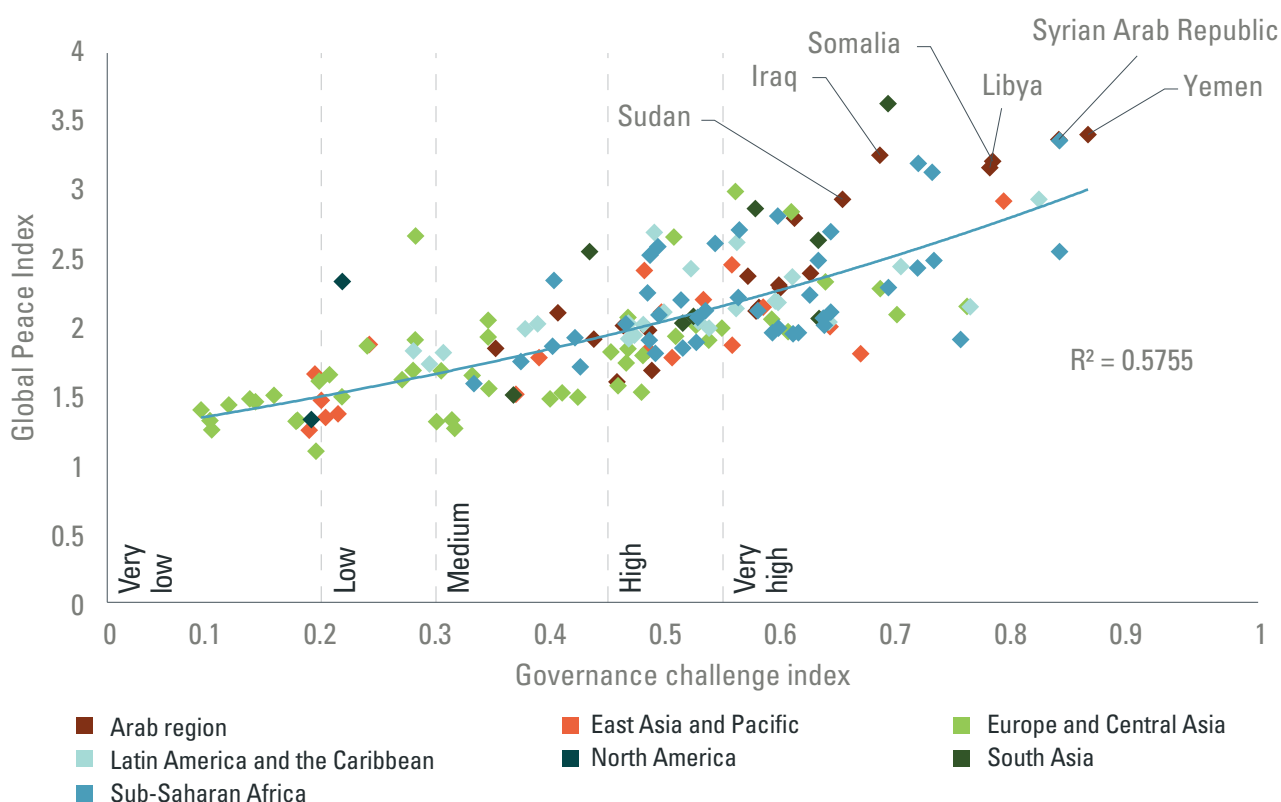
Source: ESCWA calculations and Institute for Economics and Peace.

Box 4. Conflict and human development in the Arab region

In recent years, the world has witnessed an upsurge in conflicts. Many have escalated into prolonged and lethal struggles fought on a mass scale with devastating consequences. This is particularly the case for conflicts involving external parties. In tandem, numerous low-level armed conflicts that do not result in annual casualties of over 1,000 individuals could potentially escalate and pose a serious threat to development.[47]

The Arab region has been particularly impacted by longstanding conflicts, including a seven-decade occupation by Israel of the State of Palestine and other Arab territories. This is in addition to the Lebanese civil war and three major wars in the Gulf. Since the onset of the Arab uprisings in 2011, violence has intensified through domestic and cross-border conflicts spurred by complex geopolitical and national drivers. The latter encompass governance deficits, human rights abuses, scarcer resources and tensions based on identity, among others. Some 163 million people live in Arab countries suffering conflict or occupation, including Iraq, Libya, Somalia, the State of Palestine, Sudan, the Syrian Arab Republic and Yemen.

ESCWA calculations show that conflict has significantly affected development in countries with large-scale conflicts, namely Iraq, Libya, Sudan, the Syrian Arab Republic and Yemen. Compared to a no-conflict scenario, the accumulated cost of conflict in the Syrian Arab Republic and Yemen, for example, amounts to a nearly 20 and 12 per cent increase in their DCI values, respectively. Had these two countries remained on their pre-conflict development paths, the Syrian Arab Republic may have moved from the very high- to the high-challenge group; Yemen may have been close to doing the same.

Moreover, estimates are conservative as present statistics do not capture the full impact of a generation of unschooled children or the real opportunity costs of diverting economic resources from human development to military expenditure. Conflict erodes institutional capacities, infrastructure and human capital, leaving countries more prone to and vulnerable from risks and hazards. The pandemic has only worsened governance and development deficits and increased socioeconomic deprivation. Both ongoing conflicts and growing socioeconomic challenges pose serious threats to the Arab region's prospects.

Conflicts and their repercussions are not confined to national borders. Multiple spillover effects across the Arab region include the massive cross-border movement of refugees. With millions of refugees and internally displaced persons, the region is now the epicentre of the world's forced displacement crisis. In 2020, over 6 million Syrians remained in exile as refugees, for instance, while roughly the same number were displaced within the country. High risks of conflict will impede the return of many to their homes.

The fragmentation of armed actors, exclusivist ideologies, human rights abuses, geopolitics, the weakness or absence of local peace assets and anaemic State institutions all obstruct reconciliation and the transition to peace. Resolving conflicts and preventing their upsurge are compelling priorities for the Arab region.

Note: For more, see Abu-Ismail, Chaitani and Nehme, 2021.

C. Conclusion

Over 2000-2020, most regions recorded increased governance challenges, particularly in democratic governance. The Arab region scored highest on democratic governance challenges, illustrating a deficit that continues to plague the region, while Sub-Saharan Africa scored highest on government effectiveness challenges. Government effectiveness is a higher share of the governance challenge index than democratic governance for all regions except East Asia and the Pacific. Very high-challenge countries are in all regions and are home to a significant share of the world's population.

Good governance is influenced by many factors, social, economic, historical and cultural. These are grounded in fundamental values and principles, such as respect for human rights and freedoms. Governance and human rights are mutually reinforcing and equally important for the attainment of development goals. Conflict is strongly associated with the lack of good governance and deficits in human rights and freedoms as well as essential services. Improved governance can be an important part of preventing potential conflict.