Challenges and perspectives in reforming governance institutions

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September 2005

United Nations
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Abstract

This paper analyses challenges and perspectives in enhancing the quality of democracy, with a particular focus on developing countries. It looks at what institutions are and how they function by providing a brief survey of the existing literature in this field and by further elaborating key concepts related to institutional development. This discussion paper also provides tentative conclusions on why some reforms fail and suggests directions for future governance reform efforts.

Keywords: democracy, governance, public administration, institutions, institutional change and development, institutionalism, leadership.

JEL Classifications: H52, I28
1. **Introduction**

Although a significant number of countries around the world have adopted democratic systems in the past decades, many of them have not functioned as expected. In fact, in various regions of the world there seems to be a growing disconnection between formally designed democratic systems and their actual operation; between substance and rhetoric. This is strongly evidenced by the mounting dissatisfaction of citizens and civil society organizations towards how democracies function. In some recently established democracies, such as the case of Latin American countries, citizens have gone as far as to question democracy itself as the best governance arrangement.

What explains the low quality of democracies in some developing countries? What determines the quality of democracy? And what measures can be taken to strengthen democratic institutions? This paper attempts to answer these questions by providing new insights into the nature of institutions, their attributes and how they evolve over time. Only by understanding what institutions are and how they develop is it possible to embark in useful institutional efforts. Accordingly, the first section of the paper provides an overview of the key theoretical approaches on institutions. With the strengths and limitations of existing studies as a point of departure, the paper proceeds in the second section to advance a more analytically useful definition of institutions by refining concepts relevant to our understanding of the working of public sector institutions. In the third section, the paper examines what is meant by quality of institutions and draws on the conclusions reached in the two preceding sections to suggest directions in which future governance and public administration reform efforts ought to take. The research implications of the paper’s findings are discussed in the fifth section.

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1. See the United Nations Development Report on “Democracy in Latin America”, 2004. While citizens’ discontent towards their leaders and political parties is becoming widespread also in many developed nations, democracies still work fairly well and their legitimacy is not in question.

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The main argument of our paper is that the quality of a democracy depends on the quality of its institutions, i.e. whether they are weak or strong. In other words, the capacity of democracies to ensure the respect of political and civil liberties, to uphold human rights and to facilitate socio-economic progress depends ultimately on the degree of maturity of governance institutions. We also argue that, particularly in developing countries, many of the past institutional reforms have not led to the desired results because of an inaccurate understanding of what institutions are.

The prevailing approach to reform proceeds on the assumption that new rules and processes, as well as “technology” automatically cancel out, and therefore, replace the old order. As argued in this paper, the “new” message of reform is unlikely to sink in or make much difference if it does not fully reckon with “old” mindsets, the degree of attachment to “known” and accepted rule enforcement and compliance traditions, and the internal contradictions in the reform signals. One of the main conclusions of this paper is that institutions, whose function is to provide meaning to human interaction, create order and reduce uncertainty in society, should not only be understood as being constituted by formal rules but also by underlying values and belief systems. This explains why changing the formal rules of the game does not always produce the desired effects. Evidence has shown that such type of interventions have in many cases been counterproductive, as we will see later on. In other words, if new rules are imposed without understanding and/or changing the pre-existing underlying behaviours and belief systems, as often has been the case with reforms imposed from outside, the same reforms are doomed to fail. The key challenge in this respect is to explain the gap between prescribed rules (institutions) and behaviours of those who operate under those rules.

2. **Key Perspectives on the Study of Institutions**
A number of approaches have emerged over the past fifty years in the field of social sciences in order to explain social interaction and the role of institutions, from classical institutionalism to the behaviourist paradigm to neo-institutionalism, which in turn has taken various directions and spilled over many fields from economics to history, from sociology to psychology. Although the complexity of the various positions and the richness of the debate would deserve a full account, for purposes of expediency, we will offer only some insights of the literature concerning institutions.

- **Formal Analysis of Institutions**

As indicated in the subsequent paragraphs, the analysis of institutions has followed broadly three different approaches – the formal, the behaviorist, and the neo-institutionalist approaches. The formal analysis of institutions2 held sway until the first appearance of the behaviorist paradigm. This (formal) approach was very much influenced by the Marxist theory of capitalist exploitation.

- **Behaviorist theory**

As a reaction to this approach, the behaviorist theory, which shaped the research agenda in the 1950s and 1960s, placed emphasis on behavioral outcomes and on power influences within organizations undermining the relevance of institutions. In fact, although “it drew attention to other important and previously neglected aspects of political life, it often obscured the enduring socio-economic and political structures that model behavior in distinctive ways in different national contexts” (Thelen and Steinmo, 1992). As such, this type of analytical tool did not allow behaviorists to explain why the same attitudes, political behaviors and beliefs differed from one country to another. The absence of the institutional dimension of social interaction was perceived later on as a deficiency especially in comparative political studies. The search for new explanatory factors in understanding why similar behaviors led to different political outcomes prompted again, among social scientists, an interest for institutions - an interest shared by the so-called classical institutionalism which developed in the early 20th century with the writings of well acknowledged social scientists such as Veblen and Weber (Goodin, 1993; Steinmo and Thelen, 1992).

- **Neo-institutionalism**

In recent years, the rediscovery of institutions3 within different social science disciplines has reintroduced a concern for their analysis overcoming the previous strictly formalistic approach. The growing interest in institutions has developed in various directions and across disciplines leading to a vast and heterogeneous literature, and to an approach commonly known as neo-institutionalism.

Although each discipline posits different assumptions and reaches different conclusions on the nature of institutions, they all share a basic concern: to introduce an alternative explanation to an atomistic view of human behavior, and to place emphasis on cooperative behavior. In effect,

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2 The aim of behaviorists was to go beyond “the formal structures of Marxist theories of capitalist domination, by looking at the actual, observable beliefs and behaviors of groups and individuals” (Thelen, Steinmo, 1992: page 4).

3 A growing interest for institutions has been prompted by studies concerning the state. Among the most relevant contributions, the work by Evans, Rueschemeyer and Skocpol certainly opens new avenues in this important research field. The authors which view the state as an institution and social actor having a life of its own set particular emphasis on historical depth. The latter “is necessary for the study of states because of another feature that they share with many of the social structures with which they are intertwined: historical persistence and continuity. That is, basic patterns of state organization and of the relationship of states to social groups often persist even through major periods of crisis and attempted reorganisation or reorientation of state activities” (Evans, Rueschemeyer, Skocpol, 1985: page 348).
institutions came to be increasingly perceived as an important variable in explaining agents’ behavior and political outcomes. In the economic field, institutions started to regain space with the development of the so-called economic theory of institutions which emerged as a reaction to the hyper-individualistic approach of the classical rational actor theory. The latter flourished during the middle of the 20th century. It has as its main concern the explanation and prediction of individual actors’ decisions. Generally speaking, agents are self-interested actors who freely decide, on the basis of given preferences, courses of action which maximize their expected utility, i.e. their future gains. Although such assumptions have been widely consolidated within the neo-classical economics until the end of the seventies, the inadequacy of certain assumptions in explaining behavior, and the undue emphasis placed on the individual in social interactions, have led some economists to introduce new variables in their theoretical framework and to reconsider some of the fundamental assumptions of the rational actor theory. It is, in fact, as a reaction to the individualist bias of neo-classical economics that references to institutions started appearing in the economic literature. Thus a new approach that has been termed economic neo-institutionalism has emerged, and it has developed in various directions.

4 In its classical version, rational actor theory is based on well defined assumptions: 1) actors pursue goals; 2) these goals reflect the actors’ perceived self-interest; 3) behavior results from a process that actually involves (or functions as if it entails) conscious choice; 4) the individual is the basic actor in society; 5) actors have preference orderings that are consistent and stable; 6) if given options, actors choose the alternatives that are consistent with the highest expected utility; 7) actors possess extensive information on both the available alternatives and the likely consequences of their choices (Monroe, 1991: page 4).

5 It is important to underline that preferences (interests in political terms) are the same for all agents and that rational actor theory models consider them as exogenous, i.e. as independent variables which do not need to be explained.

6 In other words, actors are rational in the sense that they act so as to maximize their expected utility (Ordeshook, 1992).

(a) Transaction costs school

A sub-set of economic neo-institutionalism is the transaction costs school that has stressed the relevance of institutions under contractual contexts. The key idea comes from Coase’s theory on the nature of the firm, a theory that seeks to explain the genesis of firms and their economic function. Although all economic exchanges could take place through the free market, Coase observed that because there are costs to carrying out transactions, some of these are better served within formal hierarchical structures. Such premises have been adopted and further developed by other economists, including Oliver Williamson. He not only suggested that institutions are created when transactions costs emerge but also that, in conditions of competition, inefficient organizations will disappear.

Generally speaking, transaction costs are the costs of negotiating and carrying out transactions. According to this school, institutions can minimize two of the transactions costs, i.e., co-ordination and motivation costs. The former is basically related to communication problems in coordinating various economic exchanges. The latter instead is associated with two basic problems. The first is the informational incompleteness and asymmetries related to the terms of agreements, whereas the second arises from imperfect commitment, i.e. the inability to foresee whether all agents will comply with the agreements made (Milgrom and Roberts, 1992).

Transactions are better managed by the market or by organizations according to their attributes among which most importantly are uncertainty and complexity. By setting constraints on choice, institutions minimize transaction costs (such as those which have to be faced when organizing economic activities: peoples’ work, information, resources, etc.). In fact, by signing binding contracts agents do not
have to rely on trust, but on rules. Trust on its own cannot guarantee that agents will comply in the future with their previous agreements, whereas the rules enacted by/within institutions bind individuals, and facilitate inter-personal (as well as inter-institutional) transactions. In brief, institutions are conceived by this school of thought as “efficient solutions to collective action problems, reducing transaction costs among individuals and groups in order to enhance efficiency” (Steinmo and Thelen, 1992: page 7).

(b) Public Choice theory

Rational actor theory has not only been applied to studying economic institutions, but also to political ones. The leading theory is certainly that placing emphasis on public choice. A prominent contributor to the evolution of public choice theory is Buchanan (Buchanan, 1962). The theory’s main focus is on how decisions are made through non-market mechanisms, i.e. collective decision-making especially in the political arena, and its analytical tool is game theory. At its most cynical, public choice theory perceives collective arrangements as devices that individuals sell as altruism to conceal their real, and deep-seated selfish motives. In other words, voters, politicians, lobbyists, and bureaucrats all act for self-interest. Given their skepticism about government institutions, public choice theorists introduced the concept of “government failure” as opposed to “market failure”. Their main position in this regard is that reforms that are introduced for specific purposes end up producing unintended negative results.

While public choice advocacy has undoubtedly influenced approaches to the reform of governance and public administration institutions, its attitude to collective endeavors is a major limitation. To have a fuller appreciation of how such institutions operate, we need to turn to another sub-set of neo-institutionalist approaches, and particularly to the historical analysis undertaken by Douglas C. North (North, 1990). North’s analysis identifies the factors that have contributed to promoting economic growth.

(c) Historical neo-institutionalism

According to him, economic growth is dependent not only on the prevailing technological or demographic circumstances but also and essentially on institutional factors. His most relevant insight is that institutions provide the framework for political, economic and social interaction, i.e. “institutions are the rules of the game in society, or more formally, are the humanly devised constraints that shape human interaction. In consequence, they structure incentives in human exchange, whether political, social, or economic” (North, 1990: page 3). The function of institutions in society is, therefore, to create order and reduce uncertainty. Moreover, although devised by human beings, institutions “evolve incrementally, connecting the past with the present and the future; history in consequence is largely a story of institutional evolution in which the historical performance of economies can only be understood as a part of a sequential story …” (North, 1990: page 5). One of the greatest merits of such an approach, besides reintroducing institutions as an important explanatory variable, is that it focuses on the importance of the past in influencing the actual behavior of institutions.

An interest in institutions has also developed in sociology and in organization theory. With respect to the latter (organization theory), an important contribution is that of March and Olsen. According to these authors, not only are institutions arenas within which different actors interact, but also structures which define values, norms, roles and political outcomes (March and Olsen, 1989). Institutions matter and they do so as they set constraints on agents’ decisions. In fact,
according to such a theoretical approach, although agents can still freely choose, they can do so within the constraints and incentives that institutions pose to individuals (Pettit, 1993). Moreover, agents’ preferences are not given or exogenous, as in rational choice theory, but are shaped and influenced by institutions. March and Olsen’s analysis focuses on explaining what institutions are, how they evolve and change, but not on how they are created or how an institution becomes, so to say, “institutionalized”. As far as the evolution of institutions is concerned, March and Olsen maintain that changes do not occur rapidly, but if the external environment changes, the former are capable of adapting to such changes.

When there are changes within institutions, these are prompted more by endogenous factors (especially by the leadership within an institution) rather than by exogenous ones. Innovation, however, is possible and although difficult, changes can be produced intentionally. In general terms, the approaches based on a utilitarian view of human behavior seem to be one-sided as they only place emphasis on the instrumental function of institutions while disregarding other important elements.


3.1. The Nature of Institutions

Our point of departure in analyzing governance institutions is historical institutionalism since its main contribution is to have given depth to the historical dimension of institutions placing a great emphasis on continuity over time and stability of structure. This does not imply, as some may think, that the past dictates the future and that no changes are possible. What it means instead is that past behaviors and beliefs cannot be ignored and should always be taken into consideration when embarking on institutional reforms.

With regard to the nature of institutions, we start by subscribing to the definition proposed by O’Donnell who argues that institutions “are regularized patterns of interaction that are known, practiced, and regularly accepted (if not necessarily normatively approved) by given social agents who, by virtue of those characteristics, expect to continue interacting under the rules and norms formally or informally embodied in those patterns” (O’Donnell, 1995: page 5). Institutions are both social constructs aimed at solving problems and performing specific functions and the arenas within which human behavior is given meaning and social identities are forged (Douglas, 1986).

Institutions, which are different from organizations, are constituted by formal rules, as well as underlying values and belief systems. In some cases rules are internalized by actors and they produce desired behaviors. In other cases, there is no correspondence between rules and behaviors. Formal rules are easily changed (new rules can be written and established) whereas underlying beliefs, codes of conduct, consolidated behaviors and informal constraints are much more difficult to change. Because, more often than not, reformers, including the donor community, have a partial understanding of what institutions are, their efforts at changing them does not always bring about the desired results. Due to the dual nature of

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8 There are two main differences between historical institutionalism and rational actor theory. The first is related to preference formation as the former argue that how preferences are shaped is a dependent variable which must be explained whereas the latter, as already noted, assume preferences as being exogenous. The second issue is related to how individuals’ decisions are taken: the first view actors as rule-following satisficers whereas the second as rational maximizers (Steinmo and Thelen, 1992: page 7).

9 According to Douglas North organizations are “groups of individuals bound together by some common purpose to achieve objectives”, and organizations are influenced by the institutional framework they are placed in (North, 1990: page 5).
institutions, modifying only the visible structure of institutional systems cannot by itself change how actors behave. New rules will, like structures, be crafted on to super-structures or old patterns of behavior and this, in turn, may lead to perverse consequences.

The same may be said about transferring institutional models from one country to another without consideration for pre-existing institutions and the local prevailing political culture. In many instances, institutions have been transferred without transferring and adapting to the local context the underlying values of those institutions. This is the case of a number of African countries which from the late 1940s to the 1960s imported democratic institutions from the West. “The emergence of one-party and military governments in place of democratic systems … led many observers to conclude that the transfer efforts failed (Adamolekum, 2005: page 2).

A particularly interesting example is also that of the ineffectiveness of formal Western judicial systems in Sub-Saharan Africa. In examining this case, we can draw useful lessons on why institutional reforms fail.

As it is well-known, Sub-Saharan countries have experienced some degree of conflict and internal violence over the past decades. They all had in place judicial systems before the outbreak of wars and/or crisis. Yet, these systems were unable to perform their expected functions, i.e. institutionalize conflict by ensuring that confrontation among individuals and groups is organized and governed by specific rules and that it does not resort into violence. A closer look at the judicial systems of these countries will provide an explanation for their failure.

The main feature of Sub-Saharan countries’ judicial systems is that they were all imported legal orders. That is to say, models which were transplanted from western countries by European colonial authorities and placed in “alien” contexts. Gambia, Nigeria, Sierra Leone, Uganda and Liberia have a common law system (the first four an English version of it whereas the latter an American one). Cameroon is peculiar in that the north has adopted a French civil law system whilst the south a common law system. Finally, Namibia and South Africa have a Roman Dutch civil system whereas Somalia has an Italian version of the civil law system though many of its clans are resorting to the Islamic Shari’a a form of justice. Such systems had been established before the outbreak of civil wars and/or crisis and, although during that time they had not been operating, they have been or are being re-established in all Sub-Saharan countries except in Somalia.

Judicial systems like any other institution embody both formal rules, and imbedded belief systems and values. As a matter of fact, and as it is well known, both the inquisitorial and accusatorial systems are the product of specific historical evolutions\(^{10}\) and they reflect two different conceptions of the State’s function. Whereas the inquisitorial system has developed within strongly centralized states in which the government managed the lives of people, the adversarial system is the product of a liberal type of state in which government is called to maintain the social equilibrium and provide a framework for social self-management. Where government is conceived as a manager, the administration of justice seems to be directed toward the implementation of state policies whereas where government maintains the social equilibrium the administration of justice tends to be associated with conflict resolution (Damaska, 1986). The high degree of faith in the State and its institutions that

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\(^{10}\) The inquisitorial system develops in continental Europe during the absolutist era as an instrument of the king’s centralizing efforts. It is in fact through the adoption of specific judicial devices for the resolution of conflicts that the king implements its design of centralization and peace keeping. The failure of the emergence of absolutism in the Anglo-Saxon world gives instead continuity to the conception of private justice. Basically, the old forms of mediation, which are more accusatorially based, prevail and justice remains a prerogative of the community which is represented either by justices of the peace or jurors.
allows the entire case to be entrusted to “non-partisan” state-officials in inquisitorial systems, is unthinkable without the underlying ideological assumptions about the individual’s relationship to the state and to society and about the best way of attaining that which is in the “public interest”.

Such differences, which go far beyond mere technicalities, were not carefully taken into consideration when transferring specific judicial systems to certain developing countries and/or torn-war societies. The adoption of these models was not consistent with the way political power is structured and particularly with the role state is given vis-à-vis society.

As in most traditional societies Sub-Saharan Africans tend to solve conflicts through forms of mediation such as negotiation, conciliation and arbitral proceedings. In general terms, two contending parties present the case in front of a third person who is chosen by the community and usually occupies an authoritative position within the latter. His task is to direct the oral debate and to deliver a fair solution to the controversy. The final solution, however, is not based on legal reasoning as in western societies, but rather on collective wisdom or customary laws. In addition, the ultimate goal of justice is to reconcile the interests at stake so as to re-establish the violated social order and to ensure stability to social relations. The function of the judicial process is thus to favor compromise which is perceived as a device to recompose and strengthen solidarity among the members of society. This is in part linked to a traditional vision of social life and organization according to which individuals do not perceive themselves as carriers of individual rights and duties but as members of a community. Because the individual cannot conceive his/her life outside his/her particular community, the survival of the community’s integrity and cohesion come before the restoration of violations committed to single individuals. This concern is also reflected in the type of remedies adopted in judicial resolutions.

The type of judicial institutions which were imported in these countries clearly did not reflect or take into account the shared view of how disputes should be solved. The pre-existing forms of justice and the function they performed in such societies were not incorporated into the new institutions. As such, people would not view these institutions as legitimate. In fact, when formal institutions do not serve the purpose people assign to them and are not perceived as legitimate, contending parties may prefer to address their own demands for justice within parallel, pre-existing, forms of mediation; even worst parties may not accept as binding the resolutions taken by formal courts of justice; and furthermore decisions taken by courts may aggravate instead of circumscribing tensions arising among different parts of society and law may be seen as destructive of an established order rather than a means to regulate social cohabitation.

This goes to show that introducing a set of sophisticated rules and procedures to govern conflict resolution will not by itself avoid the resort to violence if the rules are not perceived by its “users” as legitimate. As consent is at the basis of a working system of justice, judicial systems should not be imposed from above but they should be adapted and integrated into the legal environment in which they are to operate.

It goes without saying that all of the institutions must be rooted in and appropriate to the society to which they are applied. The machinery through which a government stays close to the people and the people close to their government will differ according to the history, the demographic distribution, the traditional culture (or cultures), and the environment in which it has to operate” (Governance in Africa: Consolidating the Institutional Foundation, United Nations, 1999, ST/ESA/PAD/SER.E/64).

3.2. Governance institutions: attributes and
challenges

Governance and public administration institutions are undoubtedly complex entities. Among the attributes or “indicators” that the paper considers significant in understanding the nature of such institutions are the following:

(a) The objectives to accomplish and the challenges to conquer (in other words, an institution is a purposive/goal-directed entity, rather than one established for its own sake);

(b) A structure that, at least, formally identifies the groups and individuals by their roles and responsibilities vis-à-vis the stated objectives, and by their horizontal and hierarchical relationships, as well as by the degree of authority vested in each office/person);

(c) A system of rules governing the behavior of the formal organization, as well as of the groups and individuals operating within, or in relation to, the structure (what may be termed the legal assurance of professionalism);

(d) A pattern of interactions between the formal, legal code of acceptable conduct, and the actual behavior of groups and individuals (the ethical/integrity insurance of professionalism);

(e) The culture and “traditions” that underpin, or rationalize, the behavior of the actors within the institution and its constituent parts (the gap between the insurance “cover” and the actual risk); and

(f) The constant struggle to maintain a balance between the pressures for change and the need for stability (with the swing of the pendulum being decided by internal and external factors).

• Objectives

It is within institutions that a people’s vision of the future is crystallized and translated into concrete programmes of action. It does not matter whether the goal is to promote democracy and respect for the rule of law, land human beings on the moon, find cures for new and mysterious diseases, combat organized crime, lift millions out of poverty, or derive optimum benefits from international economic transactions. None of these goals will be within reach in the absence of institutions.

Indeed, an institution is unlikely to be viable unless the vision to pursue is not only clear, but is shared by the generality of those charged with the responsibility for realizing it. The failure of the national development plans formulated in various parts of the world in the 1960s and 1970s to deliver on their promises can be attributed largely to the gap between the lofty economic growth ambitions of the modernizing elite, and the basic survival concerns of the vast majority of their followers. By the same token, the conflict between the priorities set by the political and administrative elite, on the one hand, and, on the other, the cognitive orientations of junior officials explains the general ineffectiveness of the ministries and departments created in the post-independence period in tackling the challenges of development and national integration.

• Structure

The structure of action is equally important to our understanding of the role of governance and public administration institutions. The normal dictionary definition of a structure is the “arrangement of and relations between the parts of something complex” (Pocket Oxford English Dictionary: 904). When viewed in relation to the field of governance and public administration, a structure can be a very complex object. It includes, in the broadest sense, state organs such as the legislature, the executive, the judiciary, and in the narrowest sense, the civil service, the ministry of finance, the division for aid coordination and management, the
accountant general’s department, the x-squads of criminal investigation agencies, the field offices of central government ministries, as well as local government and municipal administrative units. Among the structures of civil society are the community-based organizations, trade unions, employers’ federations, town and village improvement associations, as well as religious and sectarian bodies. At the supranational level, the policy organs and the secretariats of the continental and the sub-regional economic groupings (such as the African Union, the NEPAD Secretariat, ECOWAS, SADC, UMA, COMESA, EAC, and IGAD) are structures constituting parts of fairly complex institutional arrangements.

All the previously mentioned structures have a number of attributes in common, even though the relevance of each may vary from one structure to another. First, and in varying degrees, the objectives to be accomplished by, or within a structure are stated (sometimes as mandates, mission statements, and programmes). Second, the relationship between, or among, the various clusters of objectives are likely to be stated at the time when the spheres of influence or scope of authority of each unit is being defined. The relationship may be hierarchical (as between a superior and a subordinate), or horizontal (say, between the auditor general’s office and the executive agencies, between the central bank and the ministry of finance, or between the ministry of defense, and the interior ministry).

Third, and in an ideal situation, the scope and limit of authority vested in an office is clearly defined, rather than left to chance. While still on the structure, it needs to be stressed that unless expressly stated as a requirement for the effective performance of tasks, the body in which an authority is vested does not have to seek instructions from another (say a higher or an external body) to discharge its vital obligations. For example, a police constable is, by the ethics of his profession, expected to apprehend offenders rather than wait to be so instructed by his superiors. By the same token, the Commissioner of Police does not declare an assembly unlawful on the say-so of a high-ranking political functionary, but only in accordance with the law of the land.

- **System of Rules**

Another attribute of an institution is the existence of a rules regime. It is not unlikely that a structure that was once established for a specific purpose (e.g., detection and investigation of crime) has wandered off in another direction (protection of criminal syndicates, fingering of potential witnesses, and checking out of firearms from police ordinance depots for subsequent use by criminal gangs). A research institute may become more famous for infighting than for breakthroughs in science and technology. The schools may be the place where students learn the secret arts and swear blood oaths rather than where to advance in the knowledge of civics and social responsibility, or excel in physics or chemistry.

Accordingly, when creating new institutions or trying to revitalize the existing ones, attention should be placed on how to redirect embedded behaviors of actors. Once specific behaviors are strengthened through time they can survive even though they do not perform the function they were created for and even though the rules within an institution have changed by intentional design. In other words, institutions crystallize through time and survive even though being inefficient.

- **Patterns of interaction between rules and behaviors**

We have alluded to the conflict between the formally prescribed code of conduct and actual (or effective) institutional behavior. We do not have to look too far for explanations for the schism. The human factor accounts for the frequent deviation from the legal stipulations and behavior guidelines. This is one major contribution of behaviorism over the formal organization
school. Whereas the latter was under the illusion that formal legal stipulations were all that an institution needs to regulate individual and group behavior, the former correctly sees human beings as active forces. If human beings were mere passive agents, the law would suffice to keep them within institutional bounds. This is clearly not the case. The human factor is at once a resource required for transforming otherwise lifeless entities into dynamic, goal-attaining systems, and a potential hazard to corporate success. As a resource, it helps extinguish fires, safeguard life and property, nurse the sick to health, and pioneer developments in science and technology. As a hazard, it is capable of diverting other resources (fire trucks, patrol vehicles, ambulances, and ministry budgets) to private ends, and to take institutions in directions that were not originally intended.

This is not to say that the law renders an institution immune to human caprices, and, therefore, impervious to change. The actors operating within institutions are frequently torn between the forces of change, and those of tradition, between the instinctual inclination towards risk and the voice of caution. Institutions thus evolve incrementally over a period of time, and in the process, either adapt to changing circumstances or collapse when subjected to powerful and hostile gravitational forces. Whatever the case, social institutions are in a constant state of flux – the pace and direction of change depending on the pattern of interactions between internal and external forces. In other words, institutions are a product of social adaptation, largely unplanned, often a result of converging interests. They are, therefore, complex mixtures of designed and adaptive problem-solving (Selznick 1957; Lanzara, 1996); a product of both spontaneous forces and public intervention.

- Institutional culture

The probability is also high that over a period of time, the hitherto “soft” formal and informal patterns of behavior would coagulate into a culture by which an institution’s identity is firmly established. In other words, the interplay of formal institutional arrangements (organization structures, rules, performance standards, ethical guidelines) and their informal counterparts (individual and group affiliation norms, traditional values and customs, etc.) will end in a convergence that is neither totally formal nor wholly informal. When individual and group “habits” harden into a “culture”, what would, in another time and place be deemed “wrong” would now be perceived as “right”, and conversely. That is to say, the emerging culture would rest on a logic that may be totally at variance with the formal institutions original ideology. Under the new logic, it would be “wrong” for a police constable to “rat” on his bribe-taking colleagues, and “right” to disband lawful assemblies as instructed by political and administrative superiors.

The challenge ahead is ensuring that governance and public administration institutions do not become total captives of dysfunctional behavior, and certainly, not of personalities. After all, institutions are viable only when they retain their substance and character even in the face of changes in personalities and circumstances. Building such institutions requires giving attention to factors accounting for the integrity and viability of institutions. As indicated in the subsequent paragraphs, institutions differ according to where they are on the integrity/viability scale and the quality of a democracy depends on the quality of its institutions.

3.3. How do institutions change?

Social institutions are not always the result of intentional design. They are, of course, the product of human interaction, but not necessarily are they the outcome of a planned design. Institutions can be created intentionally (such as a national Constitution), but they can also be social constructs created by accident which have a nature-like longevity (Offe, 1992).
Institutions evolve incrementally from other pre-existing institutions on the basis of which new solutions to human interaction are defined. That is to say, institutions are not created from scratch but build on previous institutions often carrying with them consolidated past behaviors. Most often they are the outcomes of the recombination and reshuffling of pre-existing available components or other institutional materials that happen to be at hand and even when depleted, can serve new purposes. In terms of institutional change, a sequence of local, apparently inconspicuous change can lead to considerable system transformation in structures, functions and meanings. Institutions sometimes drift great distances though a sequence of modest steps and substantial change is sometimes due to the cumulative effect of local, incremental variations.

Moreover, it is easier for small structures to gain and secure legitimacy. To the contrary, large scale, radical changes and complete replacements would entail an effort, in terms of material and symbolic resources that only a large coalition or a particularly resourceful leader could sustain. When more is at stake, as in radical institutional change, political conflicts tend to be highly divisive, engrafted social and political identities are threatened, trust is eroded: in these situations preexisting institutional frameworks become harder to dismantle and change is more difficult.

4. Factors in institutional viability and change

As previously mentioned, the challenge of many countries of the world is to bridge the gap between how government institutions are supposed to function and how they actually operate. Having in place a governance system formally based on democratic principles is not enough to ensure full participation of citizens in the decision making process and in making their voices heard. Government institutions need to operate according to the rule of law; to have committed leaders and qualified people to undertake appropriate reforms in the economic and social spheres; to be able to mobilize resources and manage expenditure; and to function in the most cost-effective way possible by making use, where the necessary conditions exist, of new information and communication technologies. In some developing countries, the weakness of political institutions, which results in the inability of the state to provide essential public services, has lowered the confidence and trust of people in democratic governance opening up space for dangerous political alternatives.

Hence the importance of understanding what measures are best suited to develop institutional arrangements that allow political actors to develop capacities and competencies in the management and operation of national democratic institutions, including national assemblies, the judiciary, and the executive.

While some scholars single out the aging process as the major obstacle to institutions that allow actors to perform well, it is the very absence of that process that undermines the integrity and viability of governance and public administration institutions, particularly, in developing countries. Before the institutions have any opportunity to grow and “mature”, they tend to be assailed by corrupt tendencies from within and bombarded with excessive (mostly political) demands from without.

One of the main differences between countries with high degrees of economic progress and those that lag behind can be attributed not only to the presence of market institutions, but also to the degree to which the rules and behaviors underlying such institutions have become institutionalized. North’s historical analysis, in particular, indicates clearly that economic growth becomes highly problematic where institutions are weak or non-existent.

4.1. The quality of institutions

Many scholars of democratic theory and practice have shifted their attention from examining and describing the basic principles, values and institutions of democracies (as well as explaining why transitions occur) to
understanding what makes democracies work and how to enhance the quality of democracy.\footnote{Larry Diamond and Leonardo Morlino have defined quality of democracy as follows: “a good democracy accords its citizens ample freedom, political equality, and control over public policies and policy makers through the legitimate and lawful functioning of stable institutions. Such a regime will satisfy citizen expectations regarding governance (quality of results); it will allow citizens, associations and communities to enjoy extensive liberty and political equality (quality of content); and it will provide a context in which the whole citizenry can judge the government’s performance through mechanisms such as elections, while governmental institutions and officials hold one another legally and constitutionally accountable as well (procedural quality)”. (Diamond and Morlino, 2004: page 22).}

In our view the quality of democracy depends on the quality of its institutions. First, weak political institutions in a democratic system do not allow for the genuine participation of citizens in the policy-making process and therefore limit or totally inhibit their ability to influence decisions concerning their lives. Most importantly, weak political institutions - including the judiciary, the executive, and legislature, as well as the Constitution and rule of law – undermine the fundamental values of a democracy, i.e. freedom, political equality, justice, respect for human rights and human dignity. Weak political institutions are easily captured by sectarian groups who may turn the State into their own “property” thereby emptying democracy of any meaning.

Second, weak economic institutions do not favour economic growth, which is a necessary condition for development and redistribution. “That is because markets can flourish and sustainable economic prosperity can be achieved only if there is an effective State that provides, through rules and institutions, an enabling environment for private sector development and economic growth.” (United Nations World Public Sector Report 2001: page 68). In the absence of appropriate institutions - including property rights, anti-trust laws, and effective banking systems - competition is stifled and lawlessness prevails leading to instability, chaos and often to the emergence of kleptocracies.

Third, weak social institutions – including community based organizations, grass-root organizations, associations of any type – can undermine the viability of democracies. Democracy is not only about having in place adequate institutional arrangements, but also and essentially about genuine participation and engagement of citizens in public life.\footnote{John-Mary Kauzya provides interesting examples of capacity-building for enhancing participation in a few African countries (UNDESA Discussion Paper No. 32, 2003).} The capacity of citizens to organize themselves, express their needs and articulate their interests and demands through appropriate channels is as important to the survival of a democracy as having strong political and economic institutions. Strengthening all three components of democratic governance, government institutions, private sector institutions and civil society institutions, is critical to making democracy meaningful.

What defines the quality of institutions is whether they are weak or strong and the difference between the two lies in their degree of institutionalization. In the case of the civil service, one of the most important factors in shaping civil servants’ behavior is the degree of institutionalization of processes and behavior. The higher the degree of civil service institutionalization is, in a given country, the lower the undue influence exerted by other institutions on its overall performance. In other words, a highly institutionalized role structure is less permeable to external influences.

According to Huntington (1968), an
institution that, over time, acquires the capacity to exist independent of the social forces that gave it birth, may be defined as strong or “institutionalized”. For this purpose, goals, procedures and rules to achieve such goals should be highly specific and eventually internalized, through time, by the members of the institution, thus allowing them to act independently of other political forces. In other words, the degree of autonomy enjoyed by officials while carrying out their statutory functions is related to the degree of institutionalization. Autonomy, thus, implies that an institution resists the urge to further the interests of particular social groups in derogation of its constitutional and statutory role. In this respect, "the judiciary is independent to the extent that it adheres to distinctly judicial norms and to the extent that its perspectives and behaviors are independent of those of other political institutions” (Huntington, 1968: page 20). The problem then of many recently established democracies lies in the low level of institutionalization of governance institutions. Institutionalization is, in brief, related to the capacity of an institution to foster its values and objectives among its members. Only when members of an organization are able to translate its formal prescriptions into actual behavior can it be considered a strong institution immune from undue external influences.

Going by the preceding attributes, it is feasible to group governance and public administration institutions under broadly three headings, i.e.

(a) Internally strong, externally adaptive (mature, resilient, and innovative institutions);

(b) Rules-bound, but violation-prone and error-afflicted institutions

(c) Totally pliable, internally weak, and externally controlled institutions (cases of “arrested development”, e.g. of constitutions “suspended” by military juntas, and the parties banned, of civil service agencies abolished and recreated, or of agencies coming under the control of personalities with conflicting agendas).

4.2. Strengthening democratic institutions

Whether democratic governance and public administration institutions will wax or wane depends on a combination of factors, prominent among which are:

(a) The degree of consensus on the institutions’ underlying values and purpose;

(b) The level of political commitment by leaders and followers to the values and to the original purpose;

(c) How far the institutions (including their purposes, operating structures and rules) are perceived by those associated with them as legitimate, and deserving of the collectivity’s allegiance and trust;

(d) The modernity-tradition ratio, i.e. in what ways the need for continuity and change are balanced in reforming institutions.

(e) The institutions’ adaptability to change, its receptivity to new ideas, as well as its effectiveness in admitting and managing diversity;

(f) The dependability of the coordination, and conflict resolution mechanisms, and;

(g) The capacity of actors to perform according to its rules;

Governance and public administration institutions are unlikely to stand still when the political system containing them is undergoing seismic changes. Examples of countries whose governance and public administration institutions have been weakened by political turmoil are Iraq, Sri Lanka, Liberia, Somalia, Sierra Leone, and Rwanda. In contrast, a high degree of political consensus is behind the successful management of change in countries such as
the United States of America, Great Britain, India, Mauritius, Botswana, Namibia, and South Africa.

4.3. The Critical Role of Leadership

Important as the issue of political consensus is, it is nothing compared to the commitment of the political leadership class to the values underpinning the institutions in place. By political leadership class, we mean not just those occupying high-level governmental positions, but leaders of the opposition parties, civic leaders, and other leaders of opinion. Unless, they share the institutions’ underlying values (say, multi-party competition, the rule of law, separation of powers, ethics and accountability, and professionalism), the chances are that the institutions will constantly swing back and forth on the integrity scale. Where the leaders are unwilling to empower one another (a purely horizontal type of transaction) or to delegate authority to their subordinates (a hierarchical process), the checks and balances needed to ensure the long-term development of institutions would be lacking.

The leaders have a major role to play in the survival and long-term development of institutions. The attitudes and behaviors of leaders are a major factor in affecting the quality of institutions. Leadership with a vision of the future is fundamental in ensuring that institutional reforms are implemented. Strong and competent leaders that are able to mobilize the people around themselves to move the reforms in the right direction and to achieve public shared goals are of essence to any institutional reform. When talking about leadership, however, it is crucial to ask what type of leadership is needed in order to enhance the quality of democracy.

As previously argued, the poor quality of democracies in a number of developing countries, including in Latin America and Africa, is strictly linked to institutional decay. The latter, in turn, has been provoked by the presence of leaders who have weakened state institutions by promoting personal interests over institutional ones, clientelism, nepotism and repression of dissent. Given this situation, how then can leaders be part of the solution to the challenges in democratic institution-building? The central issue is to move from a “personalistic” type of leadership to what Weber defined as a rational-legal or to a democratic leader, i.e. a leader that is subjected to the rule of law13. That is to say, a leader that behaves according to and obeys to impersonal rules that have been legally established and acts according to the public interest and not for private gain.

In other words, “the first strategy for strengthening the institutional foundations of democratic governance (in many developing countries) is greater appreciation and acceptance of the philosophical and legal foundations of the rule of law by both rulers and the people. The State needs to be seen not as a network of relations built around a strongman, but as a set of functions that are to be performed in a neutral and objective way. There is a need for a new vision of the State away from the notion of the state as a property of the ruler and his clan or entourage, who are entitled to reap any benefits that it might yield, to the more objective notion of impartial institutions before which all persons are equal and are entitled to equal protection before the law. Strengthening the rule of law implies outreach and media campaigns by public, civic, educational and religious organizations to promote tolerance, respect for diversity and the virtues of compromise” (Governance in Africa: Consolidating the Institutional Foundations, United Nations, 2000). In brief, reforming institutions cannot be complete without an appropriate strategy for human resources development. Institutions are of little use without competent people, and vice-versa (Bertucci and Alberti, 2003).

Another variable critical to our

13 A democratic rule of law ensures “political rights, civil liberties, and mechanisms of accountability which in turn affirm the equality of all citizens and constrain potential abuses of state power” (O’Donnell, 2004: page 32).
understanding of the behavior of actors within organizations is what may, for lack of a more suitable term, be called the modernity-tradition ratio. By this we mean the amount of influence exerted by traditional values relative to the modern ones. De Graft-Johnson brings this out clearly in discussing the impact of African traditional values on the operation of modern bureaucratic organizations. According to him (De-Graft-Johnson, 1986:220):

“In Africa… this (bureaucratic) system was seen as the ‘white man’s’ way of doing things, and therefore as alien and unsympathetic to African ways and sentiments.” The dilemma confronting the operators of modern governance institutions is deciding between, on the one hand, “African ways and sentiments”, and, on the other, the Africans’ burning desire to reap the benefits of modernization and be equal partners in global economic compacts. Resolving this dilemma requires that the traditional values and institutions be scrutinized with a view to determining aspects that should be retained as against those to reform – that is, to establish an appropriate balance between stability and change. All the same, and notwithstanding its constraining influence on innovation, age is of utmost essence in the viability of institutions.

Collapse and decay are the natural corollary of measures that deny institutions the opportunity to grow and mature. What distinguishes Nigeria from America is not only per capita income, but the maturity and quality of socio-economic and political institutions. The American Constitution which dates back to 1787 has never once been “suspended”, and the institutions emerging from it (including the legislative, judicial, and executive branches of government, the political parties, and the electoral process) have never been “abolished”. This contrasts sharply with Nigeria which promulgated no less than 5 constitutions before independence in 1960, and 4 between 1960 and 1999.

The rise and fall of governance institutions may also hinge on the institutions’ adaptability and/or receptive to change and to new ideas. Where the rules regime stands between an institution and innovative ideas, the accumulation of errors would ultimately instigate a feeling of discontent, and trigger the demand for change – sometimes, change in the extreme direction. Besides, where the institution is incapable of accommodating (or unwilling to accommodate) diversity, it will be highly unlikely to command the allegiance of those excluded. This is where lies the strength of the All-Party Forum that is becoming a major instrument of conflict management in Rwanda. Similarly, it was when the political groups set aside their differences and met at an All Party Summit in 1995 that the dissident groups in Nigeria agreed on a common platform for the termination of military rule (Balogun, 1997).

In addition to successfully managing ethnic and group diversity, governance and public administration institutions should establish effective coordination mechanisms. Almost invariably, government departments operate independently of one another – as a result of which the left may not know what the right is up to (Adejeji, 1992). The more disorganized governance institutions become, the greater the chances of their relevance being questioned.

Similarly, when democratic institutions are, for various reasons, unable to meet the expectations of citizens, the hands of those dedicated to their emasculation or total replacement would be strengthened. It does not matter whether the institutions are the legislature, its network of committees, the judiciary, law enforcement agencies, employment registries, or the postal service. If these institutions consistently prove incapable of serving their purposes, forces are likely to gather demanding that they be merged, “privatized”, or simply abolished.

4.4. Some policy recommendations

Based on the above analysis of the root causes of low quality democracies and of the role that strong institutions play in
strengthening democratic governance, we wish to extrapolate a few tentative policy recommendations related to two key issues. First, institutional reforms seem more likely to succeed, if the following conditions are met.

(1) Institutional reforms should always be based on a careful diagnosis of the functioning of pre-existing institutions, including past values and belief systems, and tap into them so as to build on the strengths of past practices or realign them to new values rather than ignore them completely. This includes an understanding not only of the existing formal rules, but also of the underlying beliefs and ensuing behaviors. In fact, a major challenge is to understand what determines the gap between institutions and expected behavior. In our view this discrepancy can be explained by different values and belief systems that underlie the behavior of actors in different contexts.

(2) Institutional reforms should fit the real needs of the people and their perception of the world. To the extent that civil society perceive of the institutions as legitimate, to that would they uphold the underlying values and ensure their effective operation. For institutions to become stable social constructs they must be perceived as legitimate and as performing important functions. Legitimacy and efficiency are two important elements that serve the purpose of stabilizing institutions (Douglas, 1986). Conversely, where the majority of the people see the institutions as illegitimate, corruptible, and socially irrelevant, the general tendency would be to reinforce these negative attributes.

(3) In order for a particular institutional reform to be accepted and embraced within the public sector, it must be seen as adding value by helping to solve a problem. It should match demand with supply and respond to a felt need by stakeholders who agree on a common problem definition. Involvement and participation of all stakeholders affected by the reform should be a priority if the goal is widespread acceptance of the institutional reform itself.

(4) Institutional reforms are more readily accepted and sustainable when they imply incremental changes and are circumscribed. Reforms at the micro-level may be preferable. In this respect sharing knowledge and information on innovations and adapting them to different contexts and countries may result in better results than adopting grand scale reforms which are usually very difficult to implement since they require ample political consensus and can face considerable resistance due to strong vested interests.

(5) Institutional reforms are more sustainable when change is prompted from within the institution rather than being imposed from an outside force, or when intense collaboration between internal leaders and outside actors occurs. A peer to peer exchange rather than a donor-recipient scenario is preferable for sustainability of the innovation and/or reform.

(6) Transferring institutional models from one country to another can work only when not only the formal rules are transferred but also when the values and belief system underlying those institutions are adapted to the local conditions.

The second set of policy recommendations is related to the issue of institutionalization. In our view, rules and prescriptions underlying democratic institutions have a higher probability of becoming institutionalized if the following factors are taken into consideration.

(1) Leadership capacity-building is critical for the success of any institutional reform. Leaders and the public at large should be educated to understand that solutions reached by compromise are more rewarding in the long run than winner-take—all outcomes that are associated with violence and zero-sum games. Promoting training and life-long-learning for leaders is of the utmost importance provided that training focuses not only on the managerial skills and competencies required to be a leader, but also on the fundamental principles that should guide leaders that
respect the rule of law and act within and not above a democratic institutional framework.

(2) Mechanisms of acculturation and socialization directed to all members of specific institutions are of the utmost importance. With reference to civil servants, the role of Schools of Public Administration could be enhanced to better serve this purpose. Other bodies and/or mechanisms should be set up to facilitate socialization.

In fact, the type of education and training received, as well as the process of socialization are all important factors in creating a strong institution, i.e. in fostering a high degree of identification with the institutional role. The best way to foster desired behavior is through internalization of prescriptions, i.e. to enhance self-control among the members of an institution. “The basic methods of implementing self-control are formal training, selection and socialization (in the organization). Whether individual self-control is effective or not depends on the conditions which govern these three processes” (Grunow, 1986: page 65).

Acculturation, routine, prior investment in personal socialization, acculturation, and ethical education of the individual is usually required to bring these behavioral controls to a tolerably high level of reliability. New members should be educated in order to internalize the objectives of a given organization and roles that will be assigned to them. Mary Douglas describes the results of institutional acculturation process as the channeling of both a person’s perceptions of the world, and of their proper place within it (Douglas, 1985). It is important to make the principles and underlying values of institutions easier to understand and to transmit to new members.

5. Concluding Remarks

This paper has tried to explain why democracies in a significant number of developing countries are not functioning as they should. It has examined what defines the quality of an institution and what is meant by institutionalization. It has focused on the attributes of governance institutions and the factors that determine the viability of institutions. Finally, it has provided a tentative explanation of some of the failures in institutional reform, providing some recommendations.

Four are the main messages that emerge from this paper. First, it argues that institutions are complex entities which are constituted by a visible and hidden structure. The visible structure is composed by formal rules and norms and it is relatively easy to change. The hidden structure is defined as the complex set of underlying values and belief system. These may or may not be translated into correspondent actors’ behaviors. When they are internalized they produce a culture by which an institution’s identity is determined. Understanding the nature of institutions is critical to understanding how they develop and how they can be purposefully changed.

The second argument is that institutional change is usually incremental and that small changes usually produce greater results than grand scale reforms. The third message is that a number of reforms in the area of governance and public administration have not achieved the desired outcomes since little attention has been given to the underlying values and belief systems embedded in institutions, i.e. the hidden

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14 In the United Kingdom, one of the requisites of the training process barristers undergo before being able to practice law is that an applicant must be accepted by an Inns of Court. Although the Inns of Court do not any longer prepare applicants to the Bar (it was so until the XII century), they still perform some important functions which are mainly symbolic and ritual. Students must in fact have at least 32 meals during eight terms. This is a very traditional form of professional socialization by means of which students have the opportunity to informally discuss with practicing barristers about the ethics of the profession and to internalize its core values.
dimension of institutions. While democratic values and principles, as well as the aspiration to freedom are universal, how they are translated into institutional arrangements and operational terms depends on each country’s specific conditions and on the pre-existing political institutions. Institutional development means not only in some cases to make the institutions that already exist stronger, but also, and more importantly, to remodel them and/or search for new forms that take into account the unique situation of each country or region’s cultural, historical and political reality in order to meet the actual needs of its people.

Fourth, it concludes that the quality of a democracy depends on the quality or maturity of governance institutions, i.e. their degree of institutionalization. What distinguishes a well performing democratic system from a low performing one depends not only on the existence of institutions, but on the quality of its institutions - whether institutions are strong or weak and this in turn depends on the degree to which actors internalize institutional rules and values.
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