2019 China Poverty Reduction International Forum Joint efforts on knowledge sharing, to promote global poverty reduction governance

Session 2: Role of Governance in Poverty Reduction

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Structure

- What is Governance?
- Institutions
- The Six Dimensions of Governance
- Evolution of Governance and Development
- Contributors to Poverty Reduction: Service Delivery and Voice
- Contributors to Poverty Reduction: Various Dimensions of Access
- Contributors to Poverty Reduction: Well Targeted Resources
- Lessons

What is Governance?

How governments – in coordination with civil society, private sector and other stakeholders - exercise their authority to mobilize and manage economic and social resources to improve development outcomes.

Key: Not one government, involves many stakeholders, using resources for a defined purpose

Unbundling this definition: coordination, service delivery, improved well-being

https://blogs.adb.org/blog/what-governance

Institutions

- Institutions are akin to "neurons" in the brain as they serve to transmit information in a specialized manner or "how we do things" and critically required for better governance.

- The quality of institutions affects service delivery and ultimately development outcomes.

- Institutions contribute to social capital

- Institutions can harness the idea of trust and contribute to the ability to work together for a common purpose.

Why does it matter?

Governments gain legitimacy through the will of the people including through:

- the ballot box and/or delivering improved well being.

- Inclusive or pro-poor, sustainable growth seeks to influence growth so that it can have a greater impact on citizens (lives) and provide improved opportunities

Once upon time…

$$Y= f(K, L),$$

Role of government:

- Promote investment in physical capital as well as human capital.

- Use active public policy including taxation policy to redistribute growth and reduce poverty, and
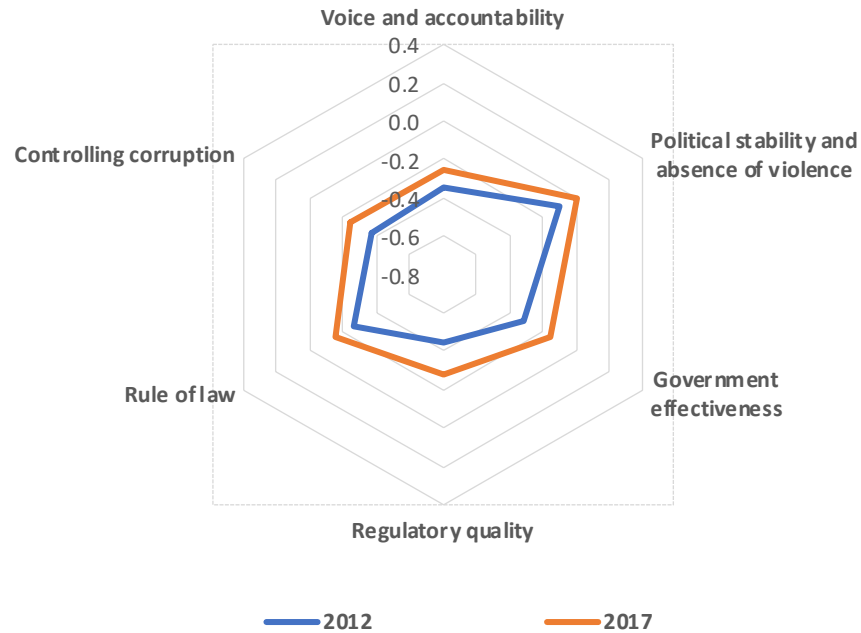
- Develop safety nets.

Worldwide Governance Indicators

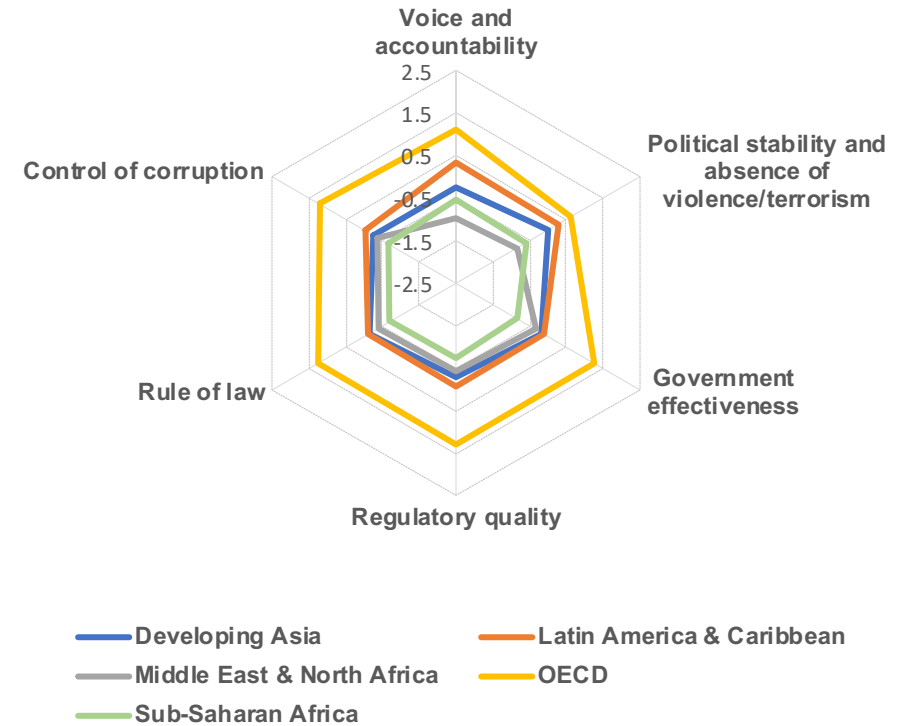| Dimension (WGI Indicators)	Criteria
1. Voice and Accountability (VA) 2. Political Stability and Absence of Violence/Terrorism (PS)	*Political regime* The process by which governments are selected, monitored, and replaced
3. Government Effectiveness (GE) 4. Regulatory Quality (RQ)	*State capacity* The capacity of the government to effectively formulate and implement sound policies
5. Rule of Law (RL) 6. Control of Corruption (CC)	*Legal framework* The respect of citizens and the state for the institutions that govern economic and social interactions among them

Worldwide Governance Indicators – Relative Performance

There is a positive association between governance and economic development and Asia is no exception!

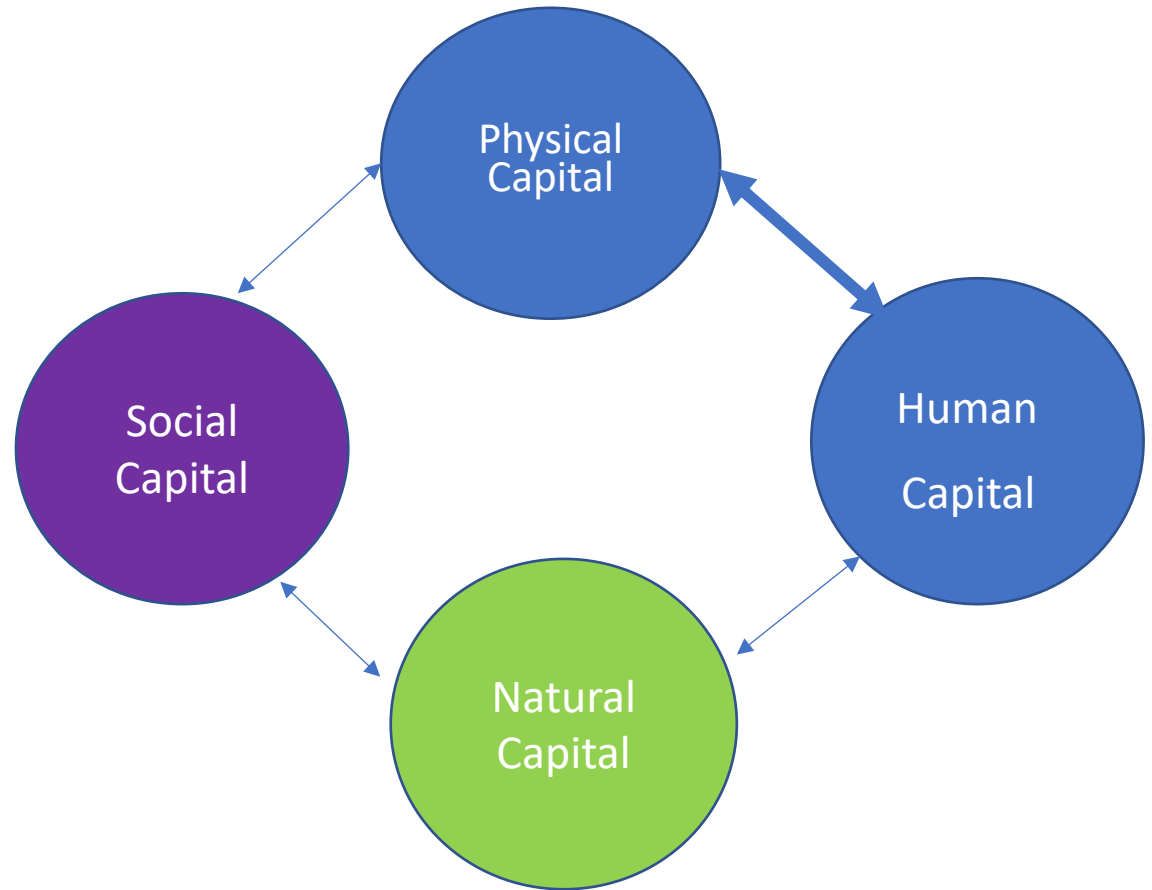## Developing Asia (2012 and 2017)

World (2017)

Note: The estimates are constructed as the region non-weighted average for each of the various components of governance, namely, voice and accountability, political stability, government effectiveness, regulatory quality, rule of law, and control of corruption. Values range from -2.5 to +2.5, where a higher score reflects better governance.

Source: The Worldwide Governance Indicators and ADB calculations.

Evolution of Governance and Development

- From MDGs to SDGs
- Governance is more than institutions
- Governance is complex and multidimensional
- Governance is both an outcome and an enabler for other SDGs.
- Two-way causality between governance and development outcomes
- Corruption as a nefarious tax on citizens
- Broader notion of capital

Contributors to Poverty Reduction: Service Delivery and Voice

Subsidiarity Principle – Local governments are more closely aligned with their communities (closer physical proximity) and can better serve their needs.

However for this to work effectively require giving (i) voice to the community and (ii) accountability by the local leaders.

Contributors to Poverty Reduction: Various Dimensions of Access

Improved service delivery is all about
- Access to services by citizens and
- Quality of services.

Access can be constrained by
- Physical location
- Cost (too expensive)
- Cultural/Behavioral

Quality can be easily eroded if not
- Planned well
- Built to last
- Enough spending on operation and maintenance

Contributors to Poverty Reduction: Well targeted resources

- Universal provision of services confronts limited fiscal space across developing countries.
- Improvements in data allows for better segmentation across the poverty line.
- Conditional cash transfer programs can better target those most in need and can help populations get access to opportunities through schooling, health, etc.
- Ensures less leakage in the system but requires close monitoring of programs.
- Increasingly recognize role of social protection for vulnerable groups

Lessons – Three strands of work in governance informing ADB operations

- Enhancing local governance and service delivery - direct interface between service providers and service recipients and promoting civil society in enhancing local governance.

- Gov Tech – Promoting digital technology and e-governance as part of the transformative agenda making better use of data and analytics (i.e., distributed ledgers) for better solutions.

- Better targeting of expenditure assignments - including at bottom of the pyramid and recognizing the limits to trickle-down economics and how to use progressive taxation policy for improved distributional purposes and social welfare.