

Humane Governance—A Conceptual Framework

Governance, if it is to promote human development, has to be not just pro-people or people-centred; it has to be owned by the people

Governance is a term newly fashionable, though the story of governance is as old as civilization itself. Much has been written about good governance by international policy-makers and academics. Yet the concept of good governance has so far failed to match the radicalism of the notion of human development. The 1999 Report on *Human Development in South Asia* proposes a new and wide-ranging definition of good governance to meet this lacuna. This is the notion of humane governance. It is a combination of good economic governance, good political governance, and good civic governance. While humane governance encompasses the present definitions of good governance, it goes beyond these definitions.

Governance, if it is to promote human development, has to be not just pro-people or people-centred. It has to be owned by the people. Good governance cannot be handed down from above by the elite, however well-meaning, to the people. The people have to shape their own governance. Vulnerable people have to be protected; they have to be saved from humiliation in their daily life. Humane governance promotes a decent society in which the worst off can preserve dignity.

Government has to be accountable to people. Every branch of government—executive, legislative, judiciary, bureaucracy, forces of law and order, employees of public services—have to be civil as well as servants.

In South Asia, political democracy has taken root, but the distance between the rulers and the people remains vast. At all levels, those who have public authority, fail to meet the double criteria of civility and service, which the expression, 'civil servant', implies. The malaise is due to many causes—low levels

of education, bias against women and minorities, the oppressive legacy of an imperial past, persistence of feudalism and superstition, and the weakness or total absence of institutions which can interpose themselves between the people and their rulers.

This is the reason for the 1999 Report on *Human Development in South Asia* to focus on the all important issues of governance and misgovernance. The difference between what is and what can be, is vast but that is no reason to avoid articulating the notion of what can be, and what ought to be. Humane governance is a norm appropriate to all countries, not just to South Asia. It remains an ideal even in mature democracies of the developed countries. But the need for humane governance is most acute in the poor populous democracies of South Asia. Fifty years ago, many countries of South Asia were born in the hope of a better tomorrow. Fifty years later, that tomorrow is yet to come. The challenge to South Asia is the challenge of humane governance.

Humane Governance: conceptual framework

Humane governance is governance, indeed good governance, which is dedicated to securing human development. It requires effective participation of people in state, civil society and, private sector activities that are conducive to human development. It further enjoins the state, civil society, and the private sector to help build capacities which will meet the basic needs of all people, particularly women, children, and the poor. Humane governance will also ensure that human development is sustainable.

Since governance came on the agenda of development policy-makers around the early 1990s, it has moved up fast in the order of priorities. The concept, in its present day incarnation, was born out of the frustration with the effectiveness of foreign aid. It has received great impetus in the wake of the collapse of communism in the transitional economies of Eastern Europe and the former Soviet Union. These transitional economies, their people and their governments, found themselves ill-prepared to deal with the emerging market economy without regulatory institutions, habits of contract fulfilment, without agencies to facilitate transactions, and with no adequate insurance mechanism or safety nets for the poor. Thus, the issues of good governance, with which developing countries have been struggling, came into fore in the transitional economies as well.

In recent years, the concept of governance has been evolving from the narrow definition used by the World Bank as 'the manner in which power is exercised in the management of a country's economic and social resources', to the broader definition adopted by the Commission on Global Governance as 'the sum of the many ways individuals and institutions, public and private,

manage their common affairs' (see box 2.1). However, often good governance is defined in a descriptive instrumental way without a clear end purpose. What should this purpose be? According to Khilnani (1997), 'the only tenable normative aspiration in modern politics can be to make states more trustworthy to all who must live under them: to make them more graceful and civilized in their dealings with their citizens and with one another'. But in our view, good governance in the South Asian context has to go well beyond good politics or even the creation of a decent society. It must enable the state, the civil society, and the private sector to further broad-based economic growth and social development as a means to greater human development and increased human welfare. The governance debate of the late twentieth century must be expanded to capture the growing realization that people are moving to the centre stage in dialogues on political and economic change. 'Every governing institution, every policy action should be judged by one critical test: how does it meet the genuine aspirations of people' (M. Haq). It is for this reason that this Report has opted for a very broad definition of good governance, both in terms of players and purposes. In

Governance must enable the state, the civil society, and the private sector to further broad-based economic growth and social development

Box 2.1 Views on Governance

The World Bank

Governance is defined as the manner in which power is exercised in the management of a country's economic and social resources. The World bank has identified three distinct aspects of governance: (1) the form of political regime; (2) the process by which authority is exercised in the management of a country's economic and social resources for development; and (3) the capacity of governments to design, formulate, and implement policies and discharge functions.

United Nations Development Programme

Governance is viewed as the exercise of

economic, political, and administrative authority to manage a country's affairs at all levels. It comprises mechanisms, processes, and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations, and mediate their differences.

Organization for Economic Cooperation and Development

The concept of governance denotes the use of political authority and exercise of control in a society in relation to the management of its resources for social and economic development. This broad definition encompasses the role of public authorities in establishing the environment in which

economic operators function and in determining the distribution of benefits as well as the nature of the relationship between the ruler and the ruled.

Commission on Global Governance

Governance is the sum of the many ways individuals and institutions, public and private, manage their common affairs. It is a continuing process through which conflicting or diverse interests may be accommodated and cooperative action may be taken. It includes formal institutions and regimes empowered to enforce compliance, as well as informal arrangements that people and institutions either have agreed to or perceive to be in their interest.

Source: Commission on Global governance 1995; OECD 1995; UNDP 1997b; and World Bank 1994a.

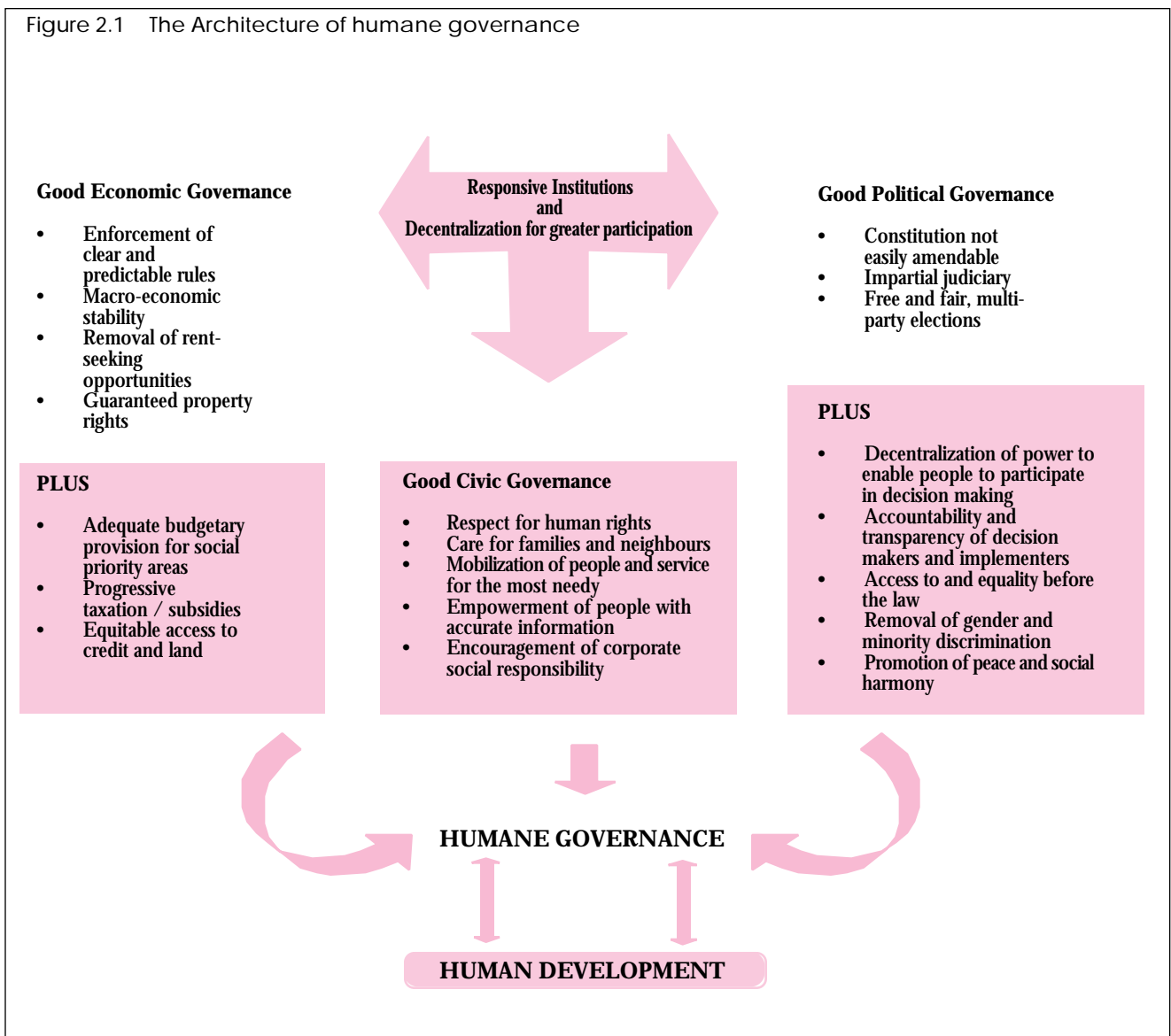
discussing the role of players, the Report takes special note of the recent advances in institutional economics that emphasize the essential role of both formal and informal institutions.

In South Asia, the role of both formal and informal institutions is evolving from a neo-colonial past but the progress is extremely uneven, and not always positive. In some countries, there is increasing apprehension that progress towards democracy has not brought about an advance towards a rule-based society. Formal institutions have been in decline and informal rules, connections, and processes have gained ground overtime and are impeding good

governance. In discussing the role of the players—state, civil society, and the private sector, the Report gives special attention to cases of institutional decline in police, judiciary, and civil service as well as to success stories in institutional development, most notably, the remarkable success of some civil society institutions.

In terms of purposes, good governance should be judged, above all, by success in advancing human development in the broadest sense. The state, or its immediate realization, the government, the market, or the society ultimately can have only one purpose—to enhance the well-being of the people who are

Figure 2.1 The Architecture of humane governance



members of the society, citizens of the state, or participants in the market. The upsurge of democratic demands in civil societies across the world has clarified the fundamental principles of humane governance. Governance must be:

- seen by people as participatory and in their own interest—‘ownership’;
- conducive to building of a society in which none feel humiliated—‘decency’; and
- embodied in structures which are transparent and accountable to the owners, i.e. the people—‘accountability’.

Ownership, decency, and accountability are the bedrock principles underlying humane governance. While good governance must reduce transaction costs and enforce contracts, humane governance must be based on both real and perceived ownership, decency, and accountability for and by all citizens. People’s active participation is then the guiding force behind the concept of humane governance.

Humane governance is conceptualized in three interlocking dimensions: good political governance, good economic governance, and good civic governance. Figure 2.1 illustrates the multi-dimensional framework of humane governance. Good political governance emphasizes the rule of law, accountability, and transparency. It seeks to achieve these goals through a constitutional framework that is not easily amendable, free and fair multi-party elections, and a clear separation of powers among the executive, judiciary, and the legislative branches of the government. Good economic governance emphasizes the role of the state not only in securing macro-economic stability, guaranteeing property rights, removing market distortions, and eliminating rent-seeking opportunities, but is also concerned with investment in people and basic infrastructure, protection of natural environment, and a progressive and equitable fiscal system to promote economic growth with social

justice. The third dimension of humane governance is good civic governance. The realization of the importance of civil society in good governance is relatively recent and owes a great deal to the efforts and successes of non-governmental (NGOs) and grassroots self-help organizations. The broader civil society groups, including households, media, professional groups, and business (both formal and informal), are increasingly seen as vital in securing the fundamental human, political, and economic rights. These rights are implicit in good economic and political governance but are rarely available to those excluded from the formal structures of power. These are women, the poor, and ethnic and religious minorities. The informal structures of the civil society are important not only in supporting formal processes and keeping the rulers accountable but also for increasing the capacity of the people to fend for themselves through creating trust and cementing community relations.

Humane governance is a powerful concept which, if implemented, can help enrich the life of the common people and lay the basis for fairer and more just societies in which human, political, and economic rights of all people are protected and their freedom of choice expanded.

Good political governance

The new political economy has defined the ideal polity in terms of constitutions which are not easily amendable by legislature, even democratically elected ones. It views the state as captured by special interest groups, lobbyists, and politicians eager to follow short-sighted policies that will ensure re-election. The electorate is represented by average voter whose preferences are for minimizing taxation, maximizing private gain, and the exploitation of free-riding opportunities. This school of thought has little trust in the voters’ benevolence and even less faith in politicians’ honesty. It also considers civil servants as given to inflating their budgets and expanding

Ownership, decency, and accountability are the bedrock principles underlying humane governance

their empires rather than serving the people. Voters vote, and that is the sum total of their political activity. Politicians as legislators seek to pursue policies that maximize their chance of re-election, while special interest lobbies exploit rent-seeking opportunities by cultivating the legislators and the executive. The ability to participate in politics in between elections via citizen groups yields no utility to the average voter.

Good political governance, according to the new political economy, includes:

- regular, free, and fair elections, with multi-party democracy;
- an impartial judiciary protected by a separation of powers; and

- a constitution not easily amendable by any of the branches of government.

As the experience of South Asia indicates the basics of good political governance are not enough to ensure effective delivery of public goods and services, a stable law and order situation, and prompt and affordable justice. The problems of lawlessness in South Asia have grown in recent years, and the provision of speedy and inexpensive justice remains a distant dream. Furthermore, corruption, both in the public and private spheres, is widespread and entrenched, precluding the channelling of development resources to the intended beneficiaries. High population growth rates and constrained fiscal resources have compounded the problems of political governance. Yet, notwithstanding these trends, the chief sources of poor political governance are the over-centralization of state powers, the limited transparency and accountability of elected representatives and bureaucrats, and a deficiency in the means to articulate the needs and aspirations of the people.

To achieve humane governance in such a setting, the menu of good political governance should also include:

- decentralization and deconcentration of power to afford people ample opportunities to participate in making decisions that affect their life (box 2.2);
- accountability and transparency of elected representatives and public officials;
- full access of all citizens to justice that is prompt and affordable;
- elimination of all forms of discrimination against women and minorities; and
- maintenance of peace and social cohesion within and between the states.

Voters vote, and that is the sum total of their political activity

Box 2.2 Decentralization and humane governance

When carefully executed, decentralization can serve as one of the chief instruments of people's participation for advancing humane governance. By decentralizing power—from the national capitals to regions, towns and villages—people's access to decision-making and efficiency in the delivery of public service can increase. Many industrial countries delegate 25 per cent or more of total government spending to the local level. But the governments of South Asia remain much more centralized, delegating less than 10 per cent of budgetary spending and giving local governments few opportunities to raise funds through taxation or borrowing.

From the *gram sabhas* in the Indian state of Karnataka and *union parishads* of Bangladesh to local bridge construction in the Baglung district of Nepal, South Asian decentralization efforts have shown some modest success in reducing public service costs and encouraging local participation. By giving local people a chance to choose, for example, ready access to basic education and health care rather than the construction of distant colleges or hospitals, decentralization generates political pressure necessary to focus governments' attention on human development priorities.

Decentralization can take several forms, such as *horizontal* decentralization, where power is dispersed among institutions at the same level, and *vertical* decentralization, which is far more important as certain legislative, financial, and administrative powers are shifted downwards to lower tiers of authority. With the huge corpus of non-governmental organizations (NGOs) working in South Asian countries, some observers maintain that a new kind of 'decentralization by default' is underway.

Like the privatization of state-owned industries, decentralization is not a panacea for resolving South Asia's perennial crisis of governance and underdevelopment. When practised successfully, it has the potential of contributing to a more people-centred framework of governance by decreasing the distance between citizens and the state, enabling governments to be more responsive to local needs and to make better use of scarce resources for basic human priorities. If decentralization simply transfers power from the capital cities to regional and local elite—as is the case from many recent attempts in South Asia—it will fail to empower the people and, conversely, extend the crisis of governance to new levels.

Sources: Aziz and Arnold 1996; and UNDP 1993.

Accountability and responsiveness of elected representatives to people's needs and concerns are crucial elements of the political dimension of humane governance. Thus, the following questions deserve policy attention: How many of the promises made during the election campaign are fulfilled? How active are the legislators in pursuing issues of concern to their constituents, such as education and health of their children, environment, prices of essential goods, jobs, etc.? How are the people's representatives being made accountable?

The concept of humane governance is not starry-eyed about the state or the politician. It would like legislators to be more accountable to the voters and more responsive to their needs. That is the politician's job; elections are but the means to get the opportunity to do the job. But the voters are also meant to be actively participating in shaping, if not making, the decisions that affect their lives. The Greek ideal of the *agora* where all the citizens could gather, the town-hall meetings of New England, and the *panchayats* of India define the alternative ideal. Participation in political activities on an ongoing basis is a valuable function. It relates to basic human rights such as freedom of speech, freedom of association, and freedom of belief, which have been fought for and won in some parts of the world but are still to be won universally.

Good economic governance

A fundamental issue concerning good economic governance is the appropriate role of the state in relation to the market. This historic debate has permeated economics ever since it emerged as an independent discipline in the nineteenth century. The neo-classical economists viewed the state with suspicion. They had unlimited faith in the market and believed that Adam Smith's 'invisible hand' will allocate scarce economic resources optimally. Specifically, the neo-classical economists were concerned that the state (a) will create rent-seeking opportunities

by increasing distortions and deviations from the norm of competitive behaviour; and (b) will jeopardize wealth and wealth enhancing activities by threats of expropriation or unpredictable taxation. These ideas encouraged the notion of a minimalist state—a state in which the volume of state activity in the economy is to be minimized and, where the state concerns itself with (a) ensuring macro-economic stability (balanced budget, low inflation, stable exchange rate) with the help of an independent central bank; and (b) guaranteeing property rights and respect for legal frameworks and the rule of law.

The Great Depression of the 1930s and the advent of Keynesian economics dealt a blow to notions of *laissez faire*. In the post-war world after 1945, there was an almost explosive growth in the role of the state in all countries. In the OECD countries, the total government expenditure as a proportion of GDP had grown to nearly 50 per cent by 1995 compared to about 20 per cent and 10 per cent in 1937 and 1913, respectively. In developing countries, the central government expenditure increased from around 15 to 30 per cent of GDP over the period 1960-85 (World Bank 1997g).

As a result of several global events in recent decades, a serious rethinking took place on the role of the state. The collapse of command and control economies in the former Soviet Union and Central and Eastern Europe, the fiscal crisis of the welfare state in most of the established industrial countries, widespread failure of the state in directly productive activities in developing countries, and continuing neglect of critical human development issues in many parts of the world have led to a serious search for a definition of good economic governance, which will blend economic growth with social justice. It is now realized that the state's activities should match its capability. There is greater recognition that governments should concentrate on core public functions which will create an enabling environment for civil society and the private sector to function efficiently and equitably.

Accountability and responsiveness of elected representatives to the needs of people are crucial elements of the political dimension of humane governance

Effective economic and political governance also requires strong institutions

This Report recognizes the central importance of competitive markets and outlines in some detail the harm the distorted prices and incentives and ill-advised government interventions have done to South Asian economies during the last fifty years. There is a broad consensus in South Asia that a liberal economic framework in which critical prices reflect their scarcity values and in which the private sector is afforded maximum opportunities to operate freely, is in the best interest of long-term development, provided markets can be regulated in the best interests of the less privileged.

However, there is more to good economic governance than only competitive markets. This report, therefore, does not accept the idea of a minimalist state even though the performance of the state in South Asia in critical areas, such as provision of basic infrastructure, basic education and health has been dismal. We believe that the state has a major responsibility for making adequate budgetary provision for social priority areas (education, health, support to vulnerable groups) and for removal of discrimination based on gender, ethnicity or caste. In other words, the state must be active in areas that promote human development. Indeed, given our concern with human development, we are biased in favour of social expenditure as against expenditure on armaments. Human security is ensured not so much by armament expenditures, important though they may be for territorial security, but by human development related expenditures, which will lead to the development of cohesive, well-informed, and, hopefully, more tolerant societies.

Our definition of good economic governance seeks an equitable outcome to the economic processes. Thus, of the set of available policies that will foster competition, the state must choose those which will be most beneficial to the poorest sections of the society. Taxes and subsidies must be progressive. Job creation must not be neglected. There is also a gender aspect to good governance.

Women suffer discrimination in the market place, in laws pertaining to property rights, and in access to credit markets. Good economic governance must seek to make the market a fairer place by insisting on elimination of discrimination not only against women but also against the disabled, the elderly, and the children. Thus, to achieve humane governance, the conventional elements of good economic governance would need to be supplemented by the following:

- sufficient budgetary allocations to social priority areas, such as basic education, primary health care, safe drinking water, adequate nutrition, family planning services, and micro-credit schemes for the poor;
- a progressive taxation system;
- efficient and well-targeted subsidies for the poor; and
- equitable access to credit and land.

Effective economic and political governance also requires strong institutions. Institutions are rules, both formal and informal, that bring predictability and stability in modern economic exchange. For competitive capitalism, these rules need to be conducive to production and the creation of wealth. In modern market economies, legal and regulatory structures assist in providing incentives for saving and investment by protecting property rights, enforcing contracts, and determining the efficiency of government policies. Accessible courts, effective bankruptcy laws, sound securities and competition regimes, and strong anti-corruption policies are essential for greasing the wheels of a market economy. They are required for encouraging new innovations, absorbing investments, and easing economic transitions. In short, institutions determine the efficiency with which markets function. The absence of such institutions retards economic performance (see box 2.3).

The absence of contract enforcement and property rights comes down harder

on the poor, since they often lack secure property and have limited, if any, political connection. And among the poorest of the poor, women suffer the most. Traditionally, women have limited access to property rights, particularly land. But this deprivation is intensified when the few who own some property cannot exercise control over it. The poor cannot find a fair place in the market without regulatory institutions to protect them. In contrast, the rich can survive without such regulatory structures, since they are powerful enough to protect their own property rights and get their business contracts enforced.

In short, without clear, fair, and predictable rules, economic activity not only breeds inefficiencies but also reinforces existing inequalities in the society. It is inefficient because it hinders the accumulation of wealth and, therefore, retards growth; it is inequitable because it tolerates a market place that discriminates against the poor, particularly women. As a result, when institutional inefficiencies are reduced, economic growth increases and the degree, severity, and incidence of poverty diminishes.

Good civic governance

The third dimension of governance has been ignored till recently by economists and political scientists. This is the civil society broadly defined as all voluntary and private sector activities. This is the sphere where individuals and households operate most of the time. They may form companies and NGOs or they may create informal associations of households within the community, savings and credit organizations, voluntary fire-fighting services, and child-care groups. This is where the principle of self-organization comes into play. The freedom to organize is a basic human right, and often, many such activities are in defence of human rights. Trade unions are part of civil society, as are business associations and religious groups. Much of this is self-governance, but it requires a framework of human rights to flourish. In the former

Soviet Union and the countries of Eastern Europe, for instance, it was civil society that was conspicuously absent and has flourished since 1989. This is the dimension of self-help and self-development that is vital to human development at the household and community levels in South Asia and elsewhere.

Good civic governance has several components. At its core is the determination and self-initiative of people to improve their capacity to govern their lives, by creating informal structures and processes to address their basic concerns. For those who are excluded from the formal structures of power—women, the poor, and minorities whether ethnic, religious, or racial—these governance

Box 2.3 Institutions and economic performance

Economic performance is greatly determined by the quality of institutions. Rules and regulations are required to make markets function more effectively. Countries grow more if these rules are clear, predictable, enforceable, and supportive of private enterprise.

A number of recent studies have established the primacy of institutions for a well-functioning market economy (Knack and Keefer 1995, 1997a, and 1997b; Mauro 1995). Strong institutions foster economic growth by securing property rights, by enforcing commercial contracts, and by making economic policies more stable and predictable.

Differences in the quality of institutions help explain the gap in economic performance between rich and poor nations. Behind the spectacular economic success of the developed countries lies a transparent framework for formulating economic policies—a framework that is guided by clear rules.

Developing countries with efficient institutions are more likely to have faster economic growth than those countries without such institutions. 'A country with an initial per capita income of \$500 that has the lowest risk of contract repudiation by the government will grow 2.22 percentage points a year faster than a country with initial per capita income of \$1500' (Knack and Keefer 1997b).

There are several reasons for such links between strong institutions and economic growth:

First, an economic activity based on clear and conducive rules diminishes the arbitrary influence of powerful lobbies, reducing the costs of economic exchange (transaction costs).

Second, the existence of copyrights, patents, and an assisting economic framework encourages new innovations that are critical for sustained economic growth. Institutions are needed both for the creation and assimilation of new investments and technology.

Third, institutions affect how the key factors responsible for production, such as land, labour, capital, and technology, are created, used, and transferred.

Fourth, institutions determine the efficiency with which governments formulate and implement policies. The lack of high-quality institutions can result in an inefficient and corrupt bureaucracy.

Fifth, informal rules determine the civic behaviour of a society. A responsible civil society can better assert its basic economic and political rights. It can also forge well-developed traditions of hard work and honesty—civic traditions that have clear economic pay-offs. The more civil a society, the more able it is to realize the basic human capabilities of its people.

Source: Burki 1998a; Knack and Keefer 1995, 1997a and 1997b; Mauro 1995; and North 1990.

Humane governance expands the idea of human development by adding significant dimensions, which are best captured in the notion of human freedom

alternatives enable people to fend for themselves and to reduce their dependence on the centralized state. At another level, good civic governance involves civil society's role in protecting basic human rights, particularly the rights of the disadvantaged members of society. Fundamental human rights are enshrined in the constitutions of the South Asian countries. Without powerful voices from civil society defending these rights and freedoms, however, the majority of people may not be able to exercise their constitutional rights. An independent media, which is an integral part of civil society, has an important role to play in protecting people's rights and holding rulers accountable.

Finally, good civic governance includes good citizenship, good corporate and employer behaviour, good neighbourly activity, and the effective self-policing of rights violations. By channelling social and cultural resources from the bottom up and stressing both the rights and responsibilities of citizens in relation to the state, good civic governance supports formal political and economic processes. In short, the forces promoting good civic governance complement and encourage the evolution toward good political and good economic governance—each dimension of governance is indispensable to the other two, and all three are essential for achieving humane governance.

At this stage it is important to underline three points. First, the three dimensions of humane governance are inextricably linked and complementary to one another. Bound together by the principles of ownership, decency, and accountability, good political, economic, and civic governance are equally integrated to form a governance framework that is both dynamic and progressive. The nature of institutions and decentralization, for instance, are key governance issues that cut across these three major dimensions of humane governance. Institutions are needed to lessen the transaction costs of political, economic, and social activities. Actively

involved citizens demand the decentralization and diffusion of power. In short, a holistic approach toward humane governance entails an engaged citizenry working for a responsive, efficient government; a market that creates jobs and generates income; and a civil society that encourages informed debate, socially responsible businesses, and non-profit, community-building associations.

Second, humane governance is not merely a means to human development. It expands the idea of human development by adding significant dimensions, which are best captured in the notion of *human freedom*. If human development were simply measured by the three variables which go into the Human Development Index (literacy, life expectancy, and per capita income), high HDI (Human Development Index) results could be achieved despite a lack of freedom. By contrast, free democratic societies may fail to achieve high HDI values. In 1989, however, the world witnessed a historic human revolution that established democratic government as an unchallenged norm almost throughout the world. Thus, the question shifted from a rivalry between ideologies to one of variations of the democratic order. It was then that the issues of good governance came to the fore. Democracy, while necessary and desirable, can be insufficient in the face of declining living standards. Democracy must deliver what people want, such as economic betterment and the means to exercise one's freedom to choose. This is possible only when humane governance delivers human development. While a means to human development, humane governance is also a vital complement to human development by guaranteeing that it is achieved in a free, effective, and equitable manner.

Third and finally, the pathways to humane governance are many and varied. The juxtaposition of the state, market, and civil society, in accordance with the needs and desires of the people, is at the heart of humane governance. Managing and sustaining this process will be unique in each society and subject to change. The

obstacles to achieving humane governance in South Asia are complex and varied. Reversing the region's present course, however, is not a hopeless endeavour. Certain principles of action that maximize people's initiative and identify conditions favourable to change can bring about the desired institutional and policy changes. At the same time, it is important that the governance innovations proposed are also politically acceptable, financially and administratively feasible, and developed over time through a consultative process involving all stakeholders.

Humane governance does not romanticize the interface between the state, the market, or civil society. On the contrary, it recognizes that human institutions are imperfect and often driven by the self-interest of those in charge. Nevertheless, the search must continue for a participatory, responsive, and accountable polity embedded in a competitive, non-discriminatory yet equitable economy. This, in turn, requires that people's money is plowed back to serve their basic needs which will expand the opportunities open to them, and where people have the ability and the freedom to self-organize. In short, humane governance is that good governance which fosters human development.

Measuring humane governance

As discussed above, humane governance has three inter-linked dimensions: economic, political, and civic. Economic governance consists of those factors required to sustain economic development. Political governance is defined as the use of institutions by government to govern, and civic governance as the right and responsibility of the governed to participate in and promote good governance. It is to be expected that a country with high economic, political, and civic governance would also have high human development. However, this is not certain. Yet it is possible to examine this connection by arriving at a measure of humane governance, however crude, and

Table 2.1 Humane governance index (HGI)

Country/Region	Economic	Political	Civic	HGI value
India	0.599	0.591	0.540	0.577
Pakistan	0.565	0.469	0.472	0.502
Sri Lanka	0.647	0.303	0.445	0.465
Bangladesh	0.494	0.441	0.451	0.462
South Asia	0.59	0.56	0.52	0.56
<i>Memo Items</i>				
East Asia	0.75	0.64	0.56	0.65
Industrial countries	0.84	0.79	0.86	0.83

exploring its correlation with the Human Development Index. Thus, we make an attempt here to construct a Humane Governance Index (HGI).

The HGI is a composite index of indicators measuring economic, political, and civic governance. The three composite indices were compiled using currently available indicators (see technical note). Economic governance is assessed by measures of fiscal policy (budget deficit), monetary policy (inflation rate), trade policy (current account deficit), social priority spending (public expenditure on both health and education), and liberalization of the economy (ratio of the official to the parallel exchange rate).¹ Political governance is assessed by measures of various political perception indicators including corruption, quality of bureaucracy, accountability, law and order, ethnic tension, etc.² Civic governance is assessed by measures of freedom of expression (relating to the right of the governed to express their views on government policies and actions), non-discrimination (relating to mistreatment on the grounds of race, ethnicity, gender, religion, etc.), political participation (relating to free and fair multi-party elections), and rule of law (relating to reliable and impartially enforced rules established in a legal and judicial system that ensures equity before law).³

The HGI is the unweighted average

¹ Indicators obtained from World Bank (1997f); see this publication for details as to the calculation of the variables.

² Khan and Zaidi 1998.

³ Indicators obtained from Desai (1994) which details how the indicators were quantified.

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