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Institutions and Growth: A Social Perspective

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Θεσμοί και Ανάπτυξη: Η κοινωνική διάσταση

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ABSTRACT

The current study aims at analyzing the good governance focal argument through a developmental prism. It also provides a comprehensive analysis of the institutional bottlenecks and pathologies that undermine the long-term perspectives of contemporary economies and societies. In practical terms, the analysis implies that implementing universal policy recommendations to all countries regardless of their economic, social and political background proves to be at least unresponsive. Consequently, initiatives taken to promote good governance should correspond to individual sociopolitical traits of countries. Fighting endemic, deeply rooted institutional weaknesses should involve a deliberate policy mix, targeted reforms and structural adjustments aiming at the root causes of governance failure.

KEY WORDS: Institutions, governance, reforms, public sector, economic growth, social development.

ΠΕΡΙΛΗΨΗ

Η παρούσα μελέτη αναλύει την έννοια της διακυβέρνηση υπό το πρίσμα της ανάπτυξης. Επίσης, εξετάζει τις θεσμικές αγκυλώσεις και εκτροπές που υποβαθμίζουν τις μακροχρόνιες προοπτικές των σύγχρονων οικονομιών και κοινωνιών. Σε επίπεδο άσκησης πολιτικής, η εφαρμογή ενιαίων ρυθμιστικών κανόνων σε όλες τις χώρες ανεξάρτητα από το οικονομικό, κοινωνικό και πολιτικό τους περιβάλλον αποδεικνύεται αναποτελεσματική. Συνεπώς, οι πρωτοβουλίες για την προώθηση της καλής διακυβέρνησης θα πρέπει να ανταποκρίνονται στα οικονομικά, κοινωνικοπολιτικά και θεσμικά χαρακτηριστικά των χωρών. Η καταπολέμηση των βαθιά ριζωμένων παθογενειών θα πρέπει να περιλαμβάνει ένα κατάλληλο μείγμα πολιτικών, στοχευμένων παρεμβάσεων και διαρθρωτικών προσαρμογών

ΛΕΞΕΙΣ ΚΛΕΙΔΙΑ: Θεσμοί, διακυβέρνηση, μεταρρυθμίσεις, δημόσιος τομέας, οικονομική μεγέθυνση, κοινωνική ανάπτυξη.

1. Introduction

International differences in economic prosperity are staggering. A handful of countries manage to engineer rapid economic growth after years of stagnation, others stagnate after a period of high growth yet others have never experienced sustained growth. A better understanding of what generates economic growth and what could be done in order to improve the living standards in a society could make a huge contribution to human welfare. Along this line of thought, the good governance prescription is presented as a profound tool supported by existing institutions to generate the confidence needed for economic growth. From a parallel point of view, institutional quality is a key factor in establishing good governance and is central to the relevant policy debate. In particular, after the end of the Cold War global and regional emphasis on democratization and the advancement of human rights have created demands for the protection of the rule of law, secured contracts, control of corruption, transparency of public action, effective administration, low administrative costs, high regulatory quality, among others, which lie at the core of the relevant discourse.

Crises and failed transition experiments in the 1990s brought to light that even the conventional policies for promoting economic growth as described in the Washington Consensus are doomed to fail in terms of desired living standards in the absence of well-functioning institutions. Under this framework, in the policy world the issue of governance has come to the fore after the failure of a long stream of reforms applied to borrowing countries that did not consider the importance of institutions and governance issues (Woods, 2000). More specifically, Africa's development problems and the inefficiency of international aid were attributed to governance crisis, whereas governance refers to the exercise of political power to manage a nation's affairs (World Bank, 1989). In the same study it is supported that improved governance standards require political renewal, whereas emphasis is given to tackling corruption by strengthening accountability, capacity building, sound policy fundamentals and the institutional framework in order to improve structural weaknesses. This deep insight prevalent in the literature on growth and institutions intensified pressures upon a new development agenda targeting a lengthy list of governance objectives.

Policies to strengthen governance are meaningless without understanding the underlying determinants of the theme. So far much knowledge is not attained, which is recognized as one of the principal obstacles on building and establishing good governance systems. However, difficulties to empirical research concerning governance and institutional quality can be attributed to conceptual and measurement problems. Only by understanding the deeper causes and the range of issues related to the concept it can be addressed and resolved otherwise policies are ineffective and disjointed.

The scientific awareness over the role of governance and institutions can also be broadly viewed as an integral part of the ongoing research for the "deeper" determinants of economic growth and development (Rodrik, Subramanian and Trebbi, 2004). Acemoglu, Johnson and Robinson (2001) make the discrimination between the proximate explanations of comparative growth supported by standard economic models of factor accumulation and innovation and the fundamental or deeper causes, which emphasize the importance of factors like economic institutions, geography and culture. North and Thomas (1973) argue that factors like innovation, economies of scale, education and capital accumulation are not causes of growth, they are growth instead.

2. Institutions and growth

Beginning with the work of Douglass North the debate on institutions features high on the economic research agenda. According to North (1990), "Institutions are the rules of the game in a 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". A starting point of this argument is that institutions, either formal or informal, structure incentives and shape the framework for the process of wealth creation (Acemoglu and Robinson, 2008). In particular, North (1990) recognizes direct and indirect influences of the institutional environment on economic growth. Countries with better institutions, secured transactions and less distortionary policies will invest more in physical and human capital and will use these inputs more efficiently in order to achieve a higher level of income. High transaction costs arising from the presence of bribery, bureaucratic obstacles and rent-seeking affect growth indirectly by constraining incentives for investment. In an environment of little confidence with respect to the enforcement of property rights, firms will tend to operate on short-term horizon. According to Temple (1999), countries that secure property rights tend to develop faster. An economy with fragile institutions is more inefficient in the sense that more inputs are needed for the production of the same output quantity (Sala-i-Martin, 2002).

Derived from the perception that institutional arrangements hold the key to prevalent patterns of prosperity around the world there is a developing body of empirical literature linking institutions and economic growth as well as measures of governance and economic performance. The use of cross-country growth regressions was initially coined by Barro (1991) to explore growth divergences across countries. He uses political instability as a proxy for property rights and finds that measures of political instability that can be explained as adverse influences on property rights are negatively related to investment and growth. According to Mauro (1995), efficient bureaucracy is positively correlated with improved rates of investment and growth, whereas corruption is negatively associated with investment. Knack and Keefer (1995), showed that institutions exert a significant impact on investment and economic growth using as indicator of institutional quality the securitization of property rights and contracts. Acemoglu and Johnson (2005), provide empirical support on this hypothesis concluding that institutions that secure property rights affect economic growth significantly.

In a subsequent study Keefer and Knack (1997), proved that poor countries diverge rather than converge with advanced economies due to their institutional backwardness. Furthermore, poor countries fail to capitalize the technological progress of advanced societies due to their inefficient institutional environment. Respectively, according to Papaioannou (2009) institutional improvements increase capital flows between countries in contrast to institutional fragility, like inefficient protection of property rights, legal inefficiency and high risk of expropriation.

Hall and Jones (1999) hold a salient position in the relevant empirical literature. They prove that productivity differences and long-lasting economic performance of countries are determined by social infrastructure, defined as "the institutions and government policies that determine the economic environment within which people accumulate skills and firms accumulate capital and produce output". Olson et al. (2000), indicate that productivity is higher in countries institutionally developed displaying improved governance. On the other hand, Chong and Calderón (2000) found the existence of reverse causality in the sense that economic growth affects institutional quality providing more resources for the improvement of existing institutions and enhancing their efficiency.

Another econometric study used as classic reference on the empirical relationship between institutional conditions and economic growth is that of Acemoglu, Johnson and Robinson (2001), which focus on property rights to approach institutional quality. In particular, they recognize that the importance of the institutional framework is so crucial that "once the effect of institutions is controlled for, countries in Africa or those closer to the equator do not have lower incomes". Similarly, Easterly and Levine (2003) claim that once the effect of institutions is controlled, endowments do not have any direct effects and economic policies (openness, terms of trade, inflation) do not affect country income. The study of Rodrik, Subramanian and Trebbi (2004), constitutes one of the founding pillars of the empirical literature on institutions and economic performance. They confirm the positive influence of the institutional environment on long-term economic growth by examining the rule of law and property rights.

3. The concept of governance

Good governance is a useful tool to respond to collective problems and can be defined on the basis of strong institutional structure existence (Quibria, 2006). The quality of the institutional environment designates long-run growth prospects as the institutional framework provides the confidence needed to secure economic transactions. The quality of institutions serves as a yardstick to assess the performance of economic, political and social systems. In a similar vein, good governance constitutes an important developmental tool and a necessary component of the strategies aiming at the reduction of poverty.

While the notion of governance has gained prominence in the literature and is extensively discussed among scholars and policymakers, there is little agreement on the essence of the concept. Due to the elusive nature of governance, there is no universally agreed definition of the concept (Kjaer, 2004). Consistent with its multidimensional character (Bevir 2011), governance can be conceptualized in various ways emphasizing different perspectives with a main focus on its economic aspect. To provide an operational precision governance is examined in a certain economic and institutional context that influences its quality and evolution. Based on this premise, it must be emphasized that the sociopolitical context which frames governance activity and is examined in this paper has not been generally studied and agreed whereas it is contentiously discussed. These mutually reinforcing economic and systemic weaknesses are an impediment to the achievement of "inclusive" growth (Klasen, 2010).

Governance is a multidimensional theme associated with a variety of economic, social and political factors, such as high per capita income, high human development standards and democratic institutions. On the contrary, international agencies and researchers follow their own definitions depending on the conceptual spectrum under which they analyze the phenomenon, with a main focus on the sociopolitical dimension apart from the economic aspect of governance.

In the developmental context governance is defined by the World Bank (1989) as "the exercise of political power to manage a nation's affairs". At the same study, the concept of good governance was introduced to refer to "an efficient public sector, an independent justice system and public sector accountability", whereas bad governance referred to corruption and clientelistic relationships in the public sector of developing countries. The transition from the concept of governance to the concept of good governance introduced an institutional dimension, which concerned the quality of governance (European Parliament, 2004). As a result, development prescriptions suggested in late '90s were foremost institutional in nature and targeted at securing good governance (Dethier, 1999).

According to the United Nations Development Programme (2008), governance is the system of values, policies and institutions by which a society administers its economic, political and social matters through synergies within and among the state, civil society and private sector. It describes the rules, institutions and practices that set limits and provide incentives for individuals, organizations and firms.

Based on the European Commission (2001), governance refers to the state's ability to serve the citizens. It concerns the rules, processes, and behavior by which interests are shaped, resources are administered, and power is exercised in society. The way public functions are accomplished, public resources are managed and public regulatory affairs are conducted is the major issue to be addressed in that framework. Despite its open and wide character, governance has a practical value related to the core aspects of the functioning of any society and political and social system and in this respect it can be characterized as a basic measure of stability and performance of a society as well as of quality and performance of any political and administrative system. Thus, institutional sustainability and capacity building are the primary elements of the good governance agenda.

The definition of governance according to the Organisation for Economic Co-operation and Development (1995) is in line with the World Bank's definition. It denotes the use of political power and exercise of control in a society in relation to the administration of its resources for economic and social development. This broad definition encompasses the role of public authorities in establishing the framework in which economic agents operate and in determining the allocation of benefits and the nature of the relationship between the ruler and the ruled. Therefore, good governance refers to the rule of law, efficient public sector management and corruption control.

Governance is defined by the World Bank as the manner in which power is exercised in the management of a country's economic and social resources for development (World Bank, 1991). However, this definition is characterized as somewhat narrow since it does not take into account the political system and civil liberties as well as the role of civil society (Johnston, 1998). According to Kaufmann, Kraay and Mastruzzi (2010) this definition is limited in public sector management issues. On the contrary, as discussed by Keefer (2004) more emphasis should be given to causal or more fundamental concepts, which enclose the incentive structure that guides the actions of political actors. The World Bank identifies three distinct aspects of governance: (i) the form of political regime, (ii) the process by which authority is exercised in the management of a country's economic and social resources for development, and (iii) the capacity of governments to design, formulate, and implement policies and discharge functions (World Bank, 1994).

According to the World Bank definition (Kaufmann et al., 1999), governance is described as "the traditions and institutions by which authority in a country is exercised. This includes (a) the process by which governments are selected, monitored and replaced; (b) the capacity of the government to effectively formulate and implement sound policies; and (c) the respect of citizens and the state for the institutions that govern economic and social interactions among them". Based on this definition six governance dimensions emerge, which are presented below.

1. **Voice and Accountability** – capturing perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.

2. **Political Stability and Absence of Violence/Terrorism** – capturing perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism.
3. **Government Effectiveness** – capturing perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.
4. **Regulatory Quality** – capturing perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.
5. **Rule of Law** – capturing perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.
6. **Control of Corruption** – capturing perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests.

4. Empirical analysis

Under the aforementioned analytical framework, the scope of the paper is to investigate the determinants of governance for a global sample of 170 countries during the years 2000-2019. The study builds on three strands of the governance literature, namely the economic, political and social (La Porta at al., 1999). The first strand focuses on the level of economic development as measured by gross domestic product per capita in purchasing power parities or current international dollars. The second strand refers to the political determinants of governance approached by the range of political rights and the extent of civil liberties. The third strand analyzes the social aspects of governance proxied by the human development index, which combines measures of life expectancy and educational attainment.

Building on the precedent analysis about the main determinants of governance, the basic model for estimation has the following form:

$$GOV = GDP + PR + CL + HDI$$

To express governance, the relevant Worldwide Governance Indicators (WGI) dataset is used estimated by the World Ban[1] . It should be acknowledged that it has emerged as a standard point of reference in the relevant empirical literature. It covers a broad spectrum of the six governance dimensions described above, which neatly capture the good governance agenda framework as delineated by the World Bank. The values of the indicators lie between -2.5 and 2.5, where higher values correspond to better governance.

Gross Domestic Product per capita in purchasing power parities or constant international dollars (GDP.pc.ppp) is used to approximate the level of economic development in each country and is provided by the World Bank[2]. GDP.pc.ppp is gross domestic product (GDP) converted to international dollars using purchasing power parity rates. An international dollar has the same purchasing power over GDP as a U.S. dollar has in the United States. GDP.pc,ppp is very useful in empirical research when the objective is to compare broad differences between countries in living standards since purchasing power parities take into account the relative cost of living in various countries, while nominal GDP does not incorporate any such considerations. GDP.pc.ppp is an indicator widely used in international comparisons of economic development.

To approximate the quality of democracy in each country the political rights index (PR) is used estimated by the Freedom House organization. The scale of the PR index ranges between 1 and 7. Countries and territories with a rating of 1 enjoy a wide range of political rights, including free and fair elections, whereas countries and territories with a rating of 7 have few or no political rights because of severe government oppression, sometimes in combination with civil war[3]. To approximate the extent of civil liberties in each country the civil liberties index (CL) is used compiled by the Freedom House organization as well. The scale of the CL index ranges between 1 and 7. Countries and territories with a rating of 1 enjoy a wide range of civil liberties, including freedom of expression, assembly, association, education, and religion. Countries and territories with a rating of 7 have few or no civil liberties.

The human development index (HDI) is used as a summary measure of the level of human development. It measures the average achievements in a given country in three relevant dimensions of human development: a long and healthy life, access to knowledge and a decent standard of living (United Nations Development Programme, 2010). According to this index, countries are classified in four categories: very high human development if the value of the index is higher than 0.900, high human development if the value of the index lies between 0.800 and 0.899, medium human development if the value of the index is between 0.500 and 0.799 and low human development if the value of the index is lower than 0.500[4].

The employed panel data is estimated with the Fixed Effects (FE) method (applying the White diagonal correction of standard errors for heteroscedasticity and autocorrelation). To decide on the estimation method a Hausman test was conducted (Baltagi 2005), which indicated that the Fixed Effects (FE) method is preferred instead of the Random Effects (RE) method. The Fixed Effects (FE) method can be used with panel data to estimate the effect of time-varying independent variables in the presence of time-constant omitted variables (Wooldridge 2013). The unobserved heterogeneity could be treated by assuming that omitted variables do not change over time and as a result by eliminating their effect through the FE method. Therefore, in the presence of omitted variables, which are correlated with the variables included in the model, the fixed effects model may provide a means for controlling for omitted variable bias.

To test the validity of the results, Random Effects (RE) and the Panel Least Squares method (PLS) are also performed, which are presented respectively in columns (2) and (3) of table 3. Therefore, the statistical significance of the variables as well as their interpretive power in terms of their sign remains in alternative estimation methods.

Table 1 presents summary statistics containing some preliminary results. All countries independently of their average real income levels are included in the analysis. This is also evident by the large difference between the minimum and maximum value of the relevant per capita income index, which ranges between $370.00 and $111,043.50 respectively. Table 2 presenting the correlation matrix provides a first approximation for the main determinants of governance. The analysis shows that, on average, countries with higher income exhibit improved governance capacities. The relationship between civil liberties (CL) and the mean of all governance dimensions is negative as lower values of the civil liberties indicator correspond to improved levels of the index. An interesting finding is the strong positive relationship between the human development index (HDI) with government effectiveness (GE), which is also reached by the ensuing regression results. The sign of the relationship between PR and CL in positive as expected due to the measurement scale of both indexes. Moreover, the correlation between the PR and the CL index is particularly strong (0,87).

Table 1. Summary statistics

	Mean	Standard deviation	Minimum	Maximum
GOV	0.02	0.95	-2.69	2.39
GDP	14,711.86	1,653.43	370.00	111,043.50
PR	3.38	2.09	1.00	7.00
CL	3.31	1.82	1.00	7.00
HDINI	0.707	0.172	0.310	0.980

Table 2. Correlation table

	CL	GOV	GDP	HDI	PR
CL	1.00				
GOV	-0.73	1.00			
GDP	-0.42	0.76	1.00		
HDI	-0.58	0.85	0.76	1.00	
PR	0.87	-0.58	- 0.53	-0.55	1.00

The results according to the Fixed Effects (FE), Random Effects (RE) and Panel Least Squares (PLS) methods are presented in table 3. In the relevant table, below coefficient estimates, the standard error, the t-statistic and the p-value are given. Moreover, the results of the Hausman test conducted for the choice of the panel regression method appear in last row of Table 3 together with the corresponding p-value (in parenthesis). It must be stressed that results regarding the three estimation methods do not differ significantly as far as their socioeconomic, political and statistical significance is concerned. As a result, estimation results with the preferred Fixed Effects approach are analyzed in the following lines.

According to the Fixed Effects (FE) estimates presented in column (1) of table 3, all independent variables are statistically significant and have the expected signs with the exception of the CL index. The estimated income coefficient (GDP) is positive and statistically significant at the 1% level and retains its sign and statistical significance in all alternative specifications of the basic model presented in columns (2) and (3) of table 3. Based on the estimation results, if for the year 2019 Greece (24,022.3) had the level of income of Luxembourg (111,043.5), which is one of the most rich countries in the world sample, then the level of governance in Greece (0.39) would increase and approximate that of Finland (1.86).

The political rights (PR) index is statistically significant at conventional significance levels (1%). The civil liberties index (CL) is unexpectedly positive but not statistically significant, which may be attributed to the high correlation between CL and the PR index. The variable expressing the level of human development (HDI) is positive and significant at the 1% level.

Table 3. Fixed Effects (FE), Random Effects (RE) and Panel Least Squares (PLS) estimates, 2000-2019

	FE (1)	RE (2)	PLS (3)
Constant	2.103*** 0.358 5.741 0.000	2.019*** 0.437 4.306 0.000	21.648*** 1.868 11.586 0.000
GDP.pc.ppp	0.321*** 0.580 2.435 0.000	0.499*** 0.148 3.006 0.004	0.246*** 0.041 5.234 0.000
PR	-0.287*** 0.030 -2.238 0.000	-0.205*** 0.071 -2.116 0.000	-0.284*** 0.052 -5.462 0.000
CL	0.029 0.005 1.636 0.076	0.352 0.071 1.616 0.068	0.123 0.060 1.167 0.079
HDI	0.326*** 0.470 3.663 0.001	0.122*** 0.054 2.815 0.006	0.442*** 0.096 4.604 0.000
R^2	0.786	0.785	0.803
F-statistic	360.443	358.749	709.401
Prob(F-statistic)	0.000	0.000	0.000
Hausman	120.709 (0.000)	136.785 (0.000)	196.842 (0.000)

***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Note: below coefficient estimates are given respectively the standard error, the t-statistic and the p-value.

5. Conclusions

This paper contributes to the growing field of governance by exploring the underlying determinants of the theme based on approaches emerging from the prevailing theory of the good governance and institutions literature. The results emerging from this study give emphasis to the level of economic development as well as to structural factors of social and political nature. It should be also emphasized that governance weaknesses are generally more prevalent in poor developing countries where political and social structures are correspondingly dysfunctional. Therefore, these countries could benefit from policy guidance drawing on the analysis in order to improve their governance frameworks. As expected, improving governance is not a one dimensional process neither exists a unitary link between governance and its determinants. The impact of different combinations of economic, social and political factors on governance varies depending on the specific dimension of governance under consideration. Ignoring these divergences may lead to inappropriate inferences and as a consequence to policy failures towards the aim of implementing and sustaining good governance systems.

The empirical analysis suggests that the quality of governance varies across countries due to differences in countries' levels of economic development, range of political rights and extent of civil liberties as well as the respective levels of human development, which determine the overall level of institutional quality, among others. Poor governance is not exogenously assigned, whereas governance failures largely unveil the existence of economic underdevelopment as well as context specific weaknesses of political and social nature (Baland et al. 2009). The existence of correlation between income and all the governance dimensions verifies the importance of the level of economic development for governance performance. This conclusion could explain the weak governance performance of developing countries plagued by economic backwardness.

The results of the empirical section suggest that governance quality differs among countries due to the variation in countries' level of economic development, extent of political rights and civil liberties as well as their respective level of human development, which determine the overall level of institutional quality. Moreover, the under study factors do not have a symmetric impact on governance structure, but vary depending on the specific dimension of governance under consideration. Insufficient governance capacities and failures largely unveil the existence of economic and political weaknesses as well as institutional and social underdevelopment. An alternative policy interpretation is that government performance is in part determined by economic development, whereas it is also shaped by the systemic variation in the political and social conditions of individual countries.

Generally, governance expresses the level of institutional quality in a country. From the development perspective, governance issues are inseparable from ways and means to promote institutional reforms and induce a profound institutional change (Bonaglia et al. 2001). Therefore, strengthening and maintaining governance is achieved only through the adoption and effective implementation of the appropriate long-run policies. In a similar vein, concrete policy guidelines lie at the core of the good governance agenda. The paper combines theoretical argumentation with empirical exploration and tries to elucidate the links between coherent institutional reforms and economic growth. However, in spite of the existence of context specific governance weaknesses prevalent in each country, there is scope for the emergence of overarching principles that embody economic development, democracy, equitable and sustainable human development.

Countries face considerable challenges regarding the quality of their institutions as well as their governance. However, it must be pointed out that it is not a single structural dimension of governance that produces inefficiencies but rather the interplay of key facets of governance hierarchy. Nevertheless, governance indicators should be used with great caution in policy making. The resulting indicator scores can be instrumental in promoting institutional changes but by themselves they do not indicate the appropriate growth strategy of the country. Major causes of underdevelopment are of domestic origin and are shaped by internal factors. Therefore, when patterns of poor governance systems prevail and become institutionalized their control is extremely difficult whereas the political difficulties of reform become even more challenging (Bräutigam and Knack 2004).

In practical terms, the analysis implies that implementing universal policy recommendations to all countries indiscriminately, regardless of their economic, social and political background proves to be at least unresponsive. To put it differently, in case that governance flaws are endemic, deeply embedded in the political and social dynamics of a country there is unlikely to be a generic blueprint suitable for all reforms in all countries (Grindle 2010). Consequently, initiatives taken to promote good governance must apply to individual sociopolitical traits of countries, whereas they should be supported by a deliberate policy mix, targeted reforms and structural adjustments, which must be driven by internal forces. Accordingly, concrete policy measures lie at the core of the good governance agenda targeting a lengthy list of governance objectives including developing anti-corruption safeguards, reinforcing the rule of law, achieving high standards of legitimacy and accountability, improving the performance of public institutions, among other attributes of effective governance systems.

The above analysis has highlighted that achieving and mainly maintaining good governance is a challenging task as it is associated with a wide variety of economic as well as noneconomic factors of social, cultural and political nature. From a sustainable perspective, these governance requirements are achieved mainly through the adoption and effective implementation of profound social and political reforms. The more unitary, concrete and stable the country is, the harder it becomes for phenomena that can paralyze state structures to prosper. Countries characterized by economic instability and social inequalities and fluid environments in the allocation of political power are those countries in which weak governance capabilities, such as corruption, find fertile ground to infiltrate and materialize. However, the level of economic development should be emphasized as well according to the empirical results. Therefore, the governance challenge is even greater in developing countries as not only the most relevant rules have to be prescribed but these policies have to be supported by appropriate governance structures in order to enforce them especially for the disadvantaged groups (Chaudhary 2015). There is plenty of scope then for good governance objectives enhancing a broad list of comprehensive governance reforms, including tackling corruption, reinforcing the rule of law, increasing the accountability and effectiveness of public institutions. Likewise, concerns of political freedoms and improved social capabilities along with intensified efforts targeting economic development should be fully incorporated into future policy purposes and strategies as effective guides for remedying the root causes of the governance failure.

Notes:

1. http://info.worldbank.org/governance/wgi/index.aspx#home.
2. See, http://data.worldbank.org/indicator.
3. https://freedomhouse.org/report/freedom-world/freedom-world-2012.
4. http://hdr.undp.org/en/data.

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