



GOVERNANCE AND INSTITUTIONS

V I E W P O I N T P A P E R



*Benefits and Costs of the Governance & Institutions
Targets for the Post-2015 Development Agenda*

Nicola Crosta

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Post-2015 Consensus

Nicola Crosta

Epic Foundation (formerly UNCDF)

The Governance-(In)equality Nexus as a Powerful Driver of Prosperity.

During the past couple of years I have had the good fortune to be directly involved in the work and consultations on what should follow the Millennium Development Goals (MDGs) - which are expiring this year - and thus what shape should take the “post-2015 development Agenda”.

The process so far has been extraordinary both in terms of the level of ambition (delivering an Agenda that is transformative and universal) and in terms of complexity (capturing and measuring key development priorities for our Nations). When compared to the current set of MDGs, it is pretty clear that the on-going negotiations are likely to result in a much more comprehensive set of Goals to guide development efforts globally, particularly in terms of allocation of hundreds of billions of aid resources.

Judging by the recent Report of the UN Open Working Group, there are two new Goals that in my view are especially innovative, and potentially transformative. Not surprisingly they are also very controversial. On the one hand, the *governance* Goal brings about a much-needed emphasis on institutions, their effectiveness, transparency and inclusiveness as key to foster development. On the other hand, the *inequality* Goal highlights the need to address persisting and (often) growing disparities as a key priority for humanity.

I would argue that, in order to deliver a truly transformative development Agenda, it will be essential to make explicit the relation between these two Goals. This means properly articulating the ‘governance-inequality nexus’ and affirming the powerful dynamic relation between the two: *governance* and *(in)equality* as interdependent, mutually reinforcing factors. Discussions in both areas have been - so far - largely disconnected: on one side, the discourse on development and inclusion remains often embedded in an ‘apolitical framework’ that pays modest attention to the role and quality of institutions. On the other side, the post-2015 governance discussion has failed to identify which specific governance features can address inequality and promote truly inclusive growth. The post-2015 Agenda provides a unique opportunity to spell out the nexus between governance/institutions and inequality and to make sure that policies and investments in these two areas will be mutually reinforcing.

The post-2015 Agenda could and should recognize the governance-inequality nexus in two ways.

First, the narrative that will accompany the final sets of Goals will be critical (just like it was the case for the Millennium Declaration in 2000) to express a compelling, new vision for global development. A powerful way to do so will be to emphasize that combined progress in terms of governance/institutions and in terms of reduction of inequality is essential to the future of our planet, just like addressing poverty or climate change. True, the jury is still out on which direction of causality is the strongest between good governance and the

reduction of inequality. But it is pretty clear that effective and inclusive governance is a strong 'supply-side' factor that can drive inclusive growth and that – conversely – more equal societies are conducive to better institutions, if only because higher levels of education create a 'demand' for them. The political Declaration that will support the post-2015 development agenda will have to capture and provide visibility to this important relation between governance/institutions and inclusive development.

Second, the targets and indicators being defined to measure progress under the *governance* and the *inequality* Goals could and should be designed to be mutually reinforcing.

On the one hand, inequality targets/indicators could single out dimensions of inequality that can be explicitly linked to and measured as benchmarks of 'effective, accountable and inclusive institutions'. This way, the post-2015 development framework would reinforce the notion that no institutional and governance setting can be considered effective, accountable or inclusive if it doesn't address inequality, if it doesn't lead to development whose benefits are broadly shared.

On the other hand - with the key Goal of reducing inequality in mind - governance targets/indicators could focus on assessing progress on those specific aspects of institutional settings and practices that are more conducive to inclusive development and the reduction of inequality.

An example of how to operationalize the 'governance-inequality nexus' is provided by the possible inclusion - within the two Goal areas - of a strong focus on 'territorial governance' and 'territorial equality' respectively. Within the *governance* Goal, the post-2015 Agenda could aim at measuring progress in terms of empowerment (political, functional and financial) of sub-national authorities: a dimension of governance/institutional development that is essential to equitable service delivery. On the other hand, within the inequality Goal, targets and indicators could be set to measure how equal (or not) is progress across territories in key outcome areas such as education and health (for example in terms of rural-urban divides). This means moving away from the simple measurement of National averages, towards a focus on disaggregated data that reflects trends in territorial disparities. This data becomes a powerful indicator of whether institutions are indeed delivering development outcomes across their territory, including to the most marginalized groups.

Articulating the governance-inequality nexus, and reflecting this in the choice of targets and indicators, will have a powerful effect: making clear that institutions *are* responsible for promoting *inclusive* growth and that citizens have the right to demand inclusion and equality of opportunities to their institutions. In this context, institutions cannot be considered effective if they don't deliver on this.

Understanding and deliberately addressing the governance-inequality nexus will play a key role in overcoming - by 2030 - the disparities that characterize our societies. It will help bridge the gap that too often separate in intolerable ways rich from poor, man from

woman, urban from rural. It will help set humanity on a path to inclusive growth and development, a critical challenge for both 'developed' and developing countries. Second, the clarity with which information is presented in the dashboard provides an important signal to civil society. This is especially important in the governance field, which might not have a clear civil society constituency. It is easy to see NGOs active on the ground working for the environment or human rights, but transparency and accountability, much less state capacity, are not fields that attract as much attention. Helping civil society leaders learn quickly about the scope of the problem and understand how their country matches up relative to others provides a ready point of entry for their dialogues. This, in turn, helps put pressure on leaders to move their respective countries forward. Given that the SDGs will rise and fall on country efforts, any means to allow civil society to better pressure governments will surely be useful. This road starts with being transparent about how a country's governance record stacks up relative to its peers.