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The Governance Doctrine and the Agenda of Multilateral Institutions in Developing Countries: an International Political Economy Approach

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Université d'Auvergne Clermont-Ferrand I
Ecole Doctorale des Sciences Economiques, Juridiques et de Gestion
Ecole d'Economie
Centre d'Etudes et de Recherches sur le Développement International (C.E.R.D.I)

The Governance Doctrine and the Agenda of Multilateral Institutions in Developing Countries: an International Political Economy Approach

La Doctrine de la Gouvernance et l'Agenda des Institutions Multilatérales dans les Pays en Développement: une Approche d'Economie Politique Internationale

Thèse Nouveau Régime
Présentée et soutenue publiquement le **12 Novembre 2012**
Pour l'obtention du titre de Docteur ès Sciences Economiques
Par

Gaoussou DIARRA

Sous la Direction de
M. Klaus-Gerd Giesen, Professeur de Sciences Politiques, Université d'Auvergne
M. Patrick Plane, Directeur de recherche CNRS-CERDI, Université d'Auvergne

Membres du Jury :

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L'Université d'Auvergne n'entend donner aucune approbation ou improbation aux opinions émises dans cette thèse. Ces opinions doivent être considérées comme propres à son auteur.

A mes parents et à ma famille

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Résumé

Cette thèse transdisciplinaire en économie et science politique étudie les divers aspects de la doctrine de la gouvernance dans les agendas des institutions et organisations internationales (OIs). Comment des OIs censées être politiquement neutres parviennent-elles à promouvoir une approche politique de la « bonne » gouvernance ? Dans quelle mesure la structure des agendas de ces OIs permet- elle d'expliquer la relative sous-performance des reformes de gouvernance entreprises au cours de ces trois dernières décennies dans les pays en développement ? Ces interrogations ont motivé le choix du thème de cette thèse ainsi que l'utilisation d'un cadre transdisciplinaire, notamment celui de l'Economie Politique Internationale qui permet de mieux comprendre les interactions entre les facteurs économiques et politiques au delà des frontières étatiques. Dans un tel cadre, d'une part les OIs comptent parmi les multiples acteurs importants de la scène internationale et d'autre part leurs agendas sur la promotion de la doctrine de bonne gouvernance peuvent être examinés à travers le prisme du débat sur la relativité ou l'universalisme des règles et normes. Ainsi, cette thèse défend l'idée selon laquelle une bonne connaissance de l'économie politique sous-jacente au développement international ainsi que la sociologie politique de ces OIs est nécessaire pour expliquer l'étendue et les performances des reformes de bonnes gouvernance dans les pays en développement.

La première partie de cette thèse mobilise deux chapitres pour analyser la doctrine de la gouvernance dans sa genèse, conceptualisation, diffusion et appropriation dans la communauté du développement international. Le chapitre 1 montre que les approches contemporaines de la gouvernance peuvent être dérivées des conceptions des philosophes de l'Antiquité, de la Renaissance et des Lumières à propos du pouvoir, de la légitimité, de l'exercice de l'autorité et, dans une moindre mesure, de l'allocation efficiente des ressources économiques. Néanmoins, les approches modernes de la gouvernance rompent avec ces traditions en prenant en compte l'hybridité, l'hétérogénéité et la multiplicité des acteurs et des centres de décisions. Ce chapitre

propose également une conceptualisation de la gouvernance à travers une caractérisation de ses dimensions transdisciplinaires plutôt que d'opter pour une approche visant à trouver une définition universelle à la notion de gouvernance. Cela conduit aussi à discuter des principales critiques adressées à la doctrine de la gouvernance en ce qui concerne leurs conséquences pour les pays en développement. Le chapitre 2 apporte sa contribution au débat sur la diffusion des idées et normes dans la sphère des politiques de développement en prenant l'exemple de la Banque Mondiale à travers son agenda sur les normes de gouvernance. Ce chapitre montre que la Banque Mondiale a eu différents comportements vis-à-vis de la doctrine de la gouvernance, en évoluant d'une approche économique vers une approche sociopolitique dans une optique néolibérale. Ce chapitre offre aussi, à travers une approche bibliométrique, une évaluation du pouvoir d'influence de la Banque Mondiale dans le domaine de la diffusion internationale des normes de gouvernance. A ce propos, la Banque Mondiale est devenue une véritable banque du savoir grâce à ces activités de recherche, de production et diffusion des données sur la gouvernance. En outre, le chapitre montre que la combinaison du pouvoir d'influence et d'injonction de la Banque Mondiale lui a permis d'utiliser ses indicateurs de gouvernance comme un moyen d'influence de sa politique d'aide au développement de même que celles des autres principaux donneurs.

A travers deux chapitres, la seconde partie de cette thèse effectue une investigation dans les dimensions sociales et environnementales de la gouvernance dans une perspective de développement durable dans les pays en développement. Ainsi, le chapitre 3, qui examine les politiques de gouvernance sociale des institutions multilatérales, montre que l'arbitrage entre l'équité et l'efficacité de l'aide a conduit à l'émergence de l'approche de « bonne » gouvernance. Cette bonne gouvernance s'inscrit donc dans la délégation de l'aide aux OIs comme un moyen de résoudre le dilemme du Samaritain. Par ailleurs, nos estimations économétriques, visant à saisir les effets de l'aide multilatérale sur les inégalités de revenu et la protection sociale dans les pays en développement, aboutissent à des résultats mitigés qui montrent des effets bénéfiques

uniquement dans les pays ayant une bonne qualité institutionnelle. Enfin le chapitre 4 propose un modèle de principal-agent illustrant des interactions d'économie politique entre l'offre et la demande de bonne gouvernance dans le cas du civisme environnemental, de la corruption et de la déforestation dans les pays en développement. Ce chapitre suggère aux OIs une meilleure prise en compte de la demande de bonne gouvernance par l'entremise d'une promotion du civisme des parties prenantes et d'une redevabilité des gouvernements. En effet, il ressort que le civisme environnemental pourrait être un substitut d'une faible efficacité judiciaire et un complément d'une forte efficacité judiciaire en matière de lutte contre la déforestation. Enfin, les estimations économétriques de ce dernier chapitre montrent que l'aide multilatérale, destinée au secteur forestier, est plus efficace dans la réduction de la déforestation dans les pays ayant à la fois un meilleur civisme environnemental et un état de droit.

Abstract

This interdisciplinary thesis in economics and political science analyzes the multidimensional aspects of the governance doctrine in the agendas of multilateral and International Organizations (IOs). How do politically neutral IOs succeed in promoting a political approach of "good" governance? To what extent is the scope of IOs' agendas likely to explain the relative underperformance of governance reforms undertaken during the three last decades in developing countries? These questionings have motivated the choice of the topic of this thesis dissertation as well as a use of an interdisciplinary framework, namely the International Political Economy (IPE). Indeed, the tools of IPE are the most suitable to grasp the interactions between economic and political factors beyond states boundaries. In such a situation, IOs are one of the various actors playing a significant role in the international political economy arena. In the same perspective, the promotion of the good governance concept can be positioned within the general debate about the relativism and universalism of norms and rules. Thus, this dissertation assumed that a fair knowledge of the political economy underpinning international development as well the political sociology of IOs are needed to clarify the scope and score of good governance reforms undertaken in developing countries. The first part of this dissertation uses two chapters to analyze the concept of governance in its genesis, conceptualization, diffusion and appropriation in the international development community. Chapter 1 found that current approaches of governance could be derived from Antiquity, Renaissance and Enlightenment philosopher's conceptions of power, authority exercise, legitimacy and, to a lesser extent, the efficient allocation of economic resources. However, modern conceptions break with these traditional approaches by considering the hybridity, heterogeneity and multiplicity of stakeholders in decision-making. This chapter also proposes a conceptualization of governance through a characterization of its main common interdisciplinary dimensions rather than adopting universal definition approaches. This led to a review of key criticisms addressed to the governance doctrine with respect to their consequences for developing

countries. Chapter 2 brings its contribution to the debate on ideas and norms diffusion in development community by taking the example of the World Bank and its agenda on governance norms. We show that the World Bank has developed different behaviors vis-à-vis the governance doctrine, moving from economic to political and social approaches through a neoliberal framework. This chapter also proposes an analysis of the World Bank's soft power with respect to the governance norms spread worldwide through a bibliometric approach. To this regard, the chapter shows that the World Bank has become a leading global knowledge's Bank through its research activities and governance data production and dissemination. In addition, the World Bank's smart power, based on its governance indicators, has been found to exert some notable influences on its foreign development assistance policies as well as those of the other key aid actors.

Through two chapters, the second part of the dissertation investigates about social and environmental dimensions of governance in a perspective of sustainable development in developing countries. Accordingly, chapter 3, which studies the behaviors of multilateral institutions in terms of social governance, shows that the trade-off between equity and efficiency in foreign aid allocation led to the emergence of good governance approach. This advent of governance approach constitutes a way to overcome the Samaritan dilemma through aid delegation to IOs. The empirical investigations, on the effects of multilateral aid on inequalities and social protection in developing countries, have produced mixed results that show aid beneficial effects only in recipient countries presenting good governance policies. Ultimately, chapter 4 proposes a principal-agent model highlighting some political economy interactions between supply and demand sides for good governance in the case of environmental compliance, corruption and deforestation in developing countries. This chapter suggests the need to consider the demand side of governance by promoting stakeholders' compliance and government's accountability. Indeed, environmental compliance is found to be likely to serve as a substitute for low judicial efficiency and a complement of high judicial efficiency in

combating deforestation. Besides, the empirical investigations of the final chapter found that multilateral aid to the forestry sector is more effective in reducing deforestation in countries presenting both a better environmental compliance and rule of law.

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Acronyms and Abbreviations

AfDB	African Development Bank
AsDB	Asian Development Bank
CDF	Comprehensive Development Framework
CPIA	Country Policy and Institutional Assessment
CSO	Civil Society Organization
DAC	Development Assistance Commitee
DB	Doing Business
DOC	Divers of Change
DPI	Database on Political Institutions
EC	European Commission
EDF	European Development Fund
EFA	Education For All
ERD	European Report on Development
FAO	Food and Agricultural Organization
GATT	General Agreement on Trade and Tariffs
GDN	Global Development Network
GDP	Gross Domestic Product
GLS	Generalized Least Squares
GMM	Generalized Method of Moments
HDR	Human Development Report
HIPC	Highly Indebted Poor Countries
IaDB	Inter-American Development Bank
IBRD	International Bank for Reconstruction and Development (World Bank)
ICRG	International Country Risk Guide
ICSID	International Centre for Settlement of Investment Disputes
IDA	International Development Association (World Bank)
IFC	International Finance Corporation
ILO	International Labour Organization
IMF	International Monetary Fund
INCAF	The International Network on Conflict and Fragility
IO	International/Multilateral Organization
IPE	International Political Economy
IV	Instrumental Variable
LDC	Least Developed Countries
MCA	Millennium Challenge Account
MCC	Millennium Challenge Corporation
MDG	Millennium Development Goals
MIGA	Multilateral Investment Guarantee Agency
NGO	Non Governmental Organization
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OLS	Ordinary Least Squared
OPEC	Organization of Petroleum Exporting Countries

PRSP	Poverty Reduction Strategy Paper
SAP	Structural Adjustment Programs
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFF	United Nations Forum on Forests
UNICEF	United Nations Children's Fund
USA	United States of America
USD	United States of America Dollar
WB	The World Bank
WBI	The World Bank Institute
WDI	World Development Indicators
WDR	World Development Report
WEF	World Economic Forum
WGI	Worldwide Governance Indicators
WHO	World Health Organization
WHO	World Health Organization
WSF	World Social Forum
WTO	World Trade Organization

General Introduction

I. Context and motivation

The good governance doctrine[1] emerged in the forefront of debates on economic development during the last two decades. However, the rationale of governance discourses is quite older since it refers to the allocation of scarce resources which fatally raise some issues of power struggle and exercises of authority from local to international levels. Various historical facts can highlight this situation. Thus, the world's political system has fundamentally changed since the Peace Treaty of Westphalia[2] in 1648. The purpose of this treaty was to reduce war among the major powers of Europe, and from it emerged a consensus on the principle of noninterference of outsiders in the domestic affairs in each state, including the choice of religions of people. In the same perspective, the division of colonization rights during the nineteen century and the cold war division after the Second World War could also be viewed as practical ways to incite each power to admit the authority of the others in their processes of determination and allocation of rents in their spheres of influence through their own way of economic management (North et al, 2007). In the meantime, the fall of the Soviet Union triggered a new wave of political and economic liberalization as a result most developing countries now organized elections in more or less democratic ways. Thus, with the end of the Cold War, autocratic regimes were no longer benefiting from donors' supports in return for

[1] In this dissertation, we used interchangeably the expression of "governance doctrine" and "governance concept" even though there are some etymological differences between them. In the same way, the expression "governance paradigm" is certainly misleading given that governance is far from being a coherent scientific discipline.

[2] In the discipline of International Relations, the Westphalia system is generally presented as the archetype of the modern international system. The reference is linked to Westphalia treaties of Münster and Osnabrück signed in 1648 respectively by the King of France and Queen of Sweden with the Holy Roman Empire. These treaties aimed at ending the Thirty Years War that ravaged Europe. The practical implications of these two treaties, in shaping interstate relations, were a recognition of the principle of state sovereignty and the principle of non-intervention, a recognition of formal equality among actors in the international system and the codification of international relations through the introduction of the first principles of international law. It also led to the secularization of diplomacy and the establishment of the mechanism of balance of power as a regulative principle of the international system (MacLeod et al, 2008).

their political alignment. However in developing countries, some autocratic governments are still using foreign aid as a rent enabling to maintain power. Like rents from natural resources, foreign aid is expected to contribute to the development of bad institutions by reducing the incentive for public accountability since these revenues do not depend on the taxes raised from citizens and business (Cartier-Bresson, 2000, 2011; Brautigam and Knack, 2004; Acemoglu et al., 2004; Djankov et al., 2008; Moyo, 2009). Consequently, elites in these countries may not fear important negative sanctions that would pressure them to make sound institutions and governance infrastructures that enhance their domestic economies. From this context emerged the good governance doctrine as one of donors' aid funding conditions. Half a century after the emergence of development economics and official development aid (ODA), many countries are still enrolled in a process of underdevelopment trap. Hence, the good governance doctrine remains the ultimate fashion in the debate concerning the multidimensional causes of bad economic performance and underdevelopment in poor countries. This doctrine was essentially launched and promoted by some International and multilateral Organizations[3] (IOs), such as the World Bank. Thus, these various facts have motivated the choice of this thesis topic and the adoption of an interdisciplinary approach of the governance doctrine, with regard to the agenda of IOs. Since governance fatally encompasses multidimensional aspects (for instance the political, economic and social dimensions are in interaction) and since the mandate of IOs imposes some neutrality vis-à-vis political matters within member states, we found a rationale for an investigation on strategies underlying what we could label as an "impossible mission". Put differently, how does an assumed apolitical international actor could succeed in

[3] In this dissertation, we will use in an interchangeable way the expressions of "International Organizations", "Multilateral Institutions/agencies" and "International Institutions" even though they are not referring strictly to the same subject. Indeed, international (governmental) organizations are the formal framework of international institutions whereas multilateral institutions (or international governmental institutions) concern international institutions whose stakeholders are nation states. For example, the World Bank will be considered both as an international organization and as a multilateral institution whilst the General Agreement on Tariffs and Trade (GATT) was considered just as a multilateral institution before it becomes formalized in giving birth to the World Trade Organization (WTO) which is an international organization. This dissertation is mainly interested in international governmental organizations/institutions, therefore, the term "IOs" will be used to designate both international organizations and multilateral institutions.

promoting an eminently political approach like good governance? Conversely, most IOs, such as the World Bank, are trapped in a paradox: they are political institutions which cannot prevent from getting involved in politics since their policies and projects are the outcome of political bargaining, but their legitimacy derives from political neutrality and technical competence (Cartier-Bresson, 2000, 2010; Sindzingre, 2004; Boas and McNeill, 2003; 2004). Is this paradox likely to explain the relative failure of good governance reforms undertaken during the three recent decades in developing countries? These questionings have been the main reasons that guided the choice of this dissertation topic as well as the adoption of an interdisciplinary framework based on economics and political science. This interdisciplinary framework is more precisely that of the International Political Economy (IPE) which is the most suitable tool enabling to capture the interactions between economic and political factors beyond states boundaries. Indeed, if IOs can be considered as key actors among the various stakeholders playing a substantial role in the international political economy arena, it remains that the promotion of good governance concept can be positioned within the general debate about the relativism and universalism of rules and norms. In fact, the doctrine of governance seems to support the idea that the world, conceived as what Marshall McLuhan[4] called a "Global Village", needs some uniform system of values, which is conflicting with any approach based on relativism and cultural diversity (Fukuyama, 1992; Huntington, 1993; Pagden, 1998). Furthermore, in the context of globalization and growing states' interdependence, it becomes quite difficult to ignore the consequences of international actors' influences on the evolution of governance quality in developing countries. Certainly, the challenge posed by globalization suggested that international relations could no longer be conceived as a geostrategic competition among states. Globalization alters the choices available to national governments and, in turn, affects national policy and international outcomes. This is for

[4] Marshall McLuhan (in his book "Understanding Media, 1964") argued that "Today, after more than a century of electric technology, we have extended our central nervous system itself in a global embrace, abolishing both space and time as far as our planet is concerned."

instance the case of the difficulty to tax capital and the weakness of welfare states to overcome social dislocations caused by globalization (Mosley, 2000; 2010). While, to some extent, powerful states can control the nature and speed of their integration into the world economy, weak states have almost no choice in their international policies since they are not able to influence the establishment and enforcement of international rules (Rodrik, 1999; Sindzingre, 2003). The situation becomes particularly problematic in fragile states where external influences can be both sources of failure and improvement of domestic institutions quality. Fragile states represent about 14% of the world population and 30% of people living on less than $ 1 per day (DFID, 2005). They are sometimes regarded as states without the ability or willingness to meet the basic needs of their population. This lack of internal willingness raises the question of the quality of domestic political institutions while the lack of capacity is more related to the phenomena of structural vulnerability. Donors have to find a reasonable balance between the risk of aid dependency and the risk of inaction if they need to ensure that these fragile countries evolve in a certain efficiency that does not induce instability likely to spill over subregions (Cartier-Bresson, 2011; World Bank, 2011; Newman, 2009; OECD, 2007; Guillaumont and Chauvet, 2001). If we were in the Pré-Westphalian world order, these fragile and failed states would have been annexed by powerful neighbors. Yet, in the present modern world system, elites in failed states are staying in power with financing from rents of foreign aid and natural resources (North et al., 2007). Another prominent difference concerns the rapidity of technology change which is challenging governance systems in the current world system. Indeed, the ruled are better informed about rulers' performance, which is expected to promote collective actions for a claim of better accountability. The appearance of new communication technologies allows citizens to obtain information about domestic political and economic affairs, but also to be aware of events in the world and the reactions of other people. By doing so, they will be able to undertake some benchmarking of their rulers' performance with the alternatives experiences elsewhere in the world. Yet, some good governance reforms likely to produce weaker rents (such as those seeking to get free market and combating

corruption) are likely to threaten the stability of an existing order. Indeed, there is a risk of violence resulting from a resistance of groups likely to lose their rents from good governance situations. Conversely, people under exploitation in rent-seeking economies are usually those who hesitate to request reforms because they fear disorder and violence comparatively to economic exploitation situations (North et al., 2007). Nevertheless, the 2011 Arab Spring, considered as one of the first internet-based revolutions, seems to be a premise of a paradigm shift because people exploited in other part of the world will certainly take note of this experience.

It is with this backdrop that IOs are seen as key players in this global governance, even if they are required to share their influences in developing countries with other state and non-state actors. This dissertation focuses on the discourse, policies and agendas of IOs in the areas of economic, political and social governance. The major tool available at the disposal of these IOs, remains the financial resources coming from main developed countries. IOs are supposed to do a better allocation of these funds by maximizing both the efficiency and equity underpinning their use in recipient countries. At the economic and social levels, IOs proved to have played significant influences for the spread and consolidation of liberal governance. This happened in spite of their obligation of political neutrality which, nonetheless, is undermining their effectiveness in political spheres of governance. The Washington consensus[5] that prevailed in the 1980s, has been gradually modified, augmented, and finally seems to enter in a phase of decline under some pressures from emerging countries. These emerging actors are intending to well-play their partition in the international arena. It seems that we are entering a new phase full of uncertainty on the design of good governance that will prevail in the future, especially in a context of sovereign debt crisis in developed countries that affects their margins of maneuver in providing development aid. In such a position, we assumed that a fair knowledge of the political economy underlying international development

[5] An expression created by John Williamson in 1989 in order to qualify the package of liberal policies advocated to developing countries by The World Bank, the IMF and the US Treasury Department (Williamson, 1989).

and the political sociology of IOs is vital in explaining and understanding the scope and score of good governance reforms in developing countries.

II. Research approach: International Political Economy (IPE)

The relationship between governance and development has attracted a lot of attention in both economics and political science spheres while being still hotly debated. On the one hand, the debate concerns the substantive approach which refers to the content of what is called "good governance" and the equality of stakeholders' capacity of influence. On the other hand, it is about the procedural approach based on the idea that the outcome of the relationship between governance and development is contingent to the process used to make up governing institutions. Most approaches to development rely deeply on economics, notably by putting emphasis on liberal reforms expressed in terms of "getting prices right" and market-based institutions. However, most of the reforms that had been proposed failed because development practitioners are often seeking to figure out problems without well-knowing its multidimensional causes (North et al., 2007; Levy and Fukuyama, 2010). Indeed, the causes of underdevelopment and failures of good governance reform are certainly to be found primarily at domestic political economy level in these countries, but some interests should also be paid to international political economy factors since these countries do not evolve in autarky and globalization is increasing international interdependency. Therefore, this dissertation borrows the framework of IPE to examine the role of IOs in promoting good governance in developing countries.

1. What is IPE?

IPE[6] is an interdisciplinary field that analyzes international relations in combination with political economy. It uses some tools coming from political science, economics,

[6] IPE is also known as Global Political Economy. It strength comes from its hybridity, its ability to borrow from other disciplines in order to bring a synthesis enabling to understand complex phenomena. In this way, Blyth (2009) argued

sociology, history…. The rising of IPE as a field of study is especially favored by the continuing collapse of disciplinary boundaries between economics and politics. In fact, the most critical problems are those needing to be well-understood from an interdisciplinary perspective. By seeking to understand what drives and explains events worldwide, the scope of IPE lies in the interplay of economics and politics in world affairs. In other words, it allows thinking about the relations between economics and politics beyond the boundaries of a single state by taking into account the strategic interactions of domestic and international factors. In this vein, IPE is concerned with the ways politics shapes economic systems and conversely the impact that economic interactions have upon politics (Woods, 2001; Gilpin, 2001; Frieden and Martin, 2003; O'Brien and Williams, 2004; Cohen, 2008; Blyth, 2009). Nowadays, it becomes quite difficult to conceptualize the world without IPE, notably for an analysis of the political economy of international trade, international finance, North-South relations, multinational corporations, and hegemony. In fact, IPE emerged in 1970s as a heterodox approach to international studies. The cold war, the breakdown of the Bretton Woods system[7] in 1971 and the 1973 world oil[8], resulting from the embargoes of the Organization of Petroleum Exporting Countries (OPEC), highlighted the weakness of the economic foundations of the world order. Indeed, US support for the Bretton Woods system changed when the cost of its military involvement in Vietnam was assumed to impede its economy. Therefore, in order to increase its own freedom of economic and political action, the Nixon government decided in 1971 that it would no longer convert dollars to gold at $35 per ounce and that a 10% surcharge on import duties will be imposed (Woods, 2001). Hence, this decision was perceived by some actors as an

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that it can be viewed as the result of the creative destruction of both modern society and the modern disciplinary structure. Yet, it has to face a danger of becoming so much an "interdiscipline" with a risk of loss of originality.

[7] The Bretton Woods system can be viewed as a system of economic governance constructed to support U.S. hegemony in the postwar era. Hence, each of the main Bretton Woods institutions, the World Bank, the IMF, and the GATT, depended upon the leadership role of the United States. Yet, on August 15, 1971, US President Richard Nixon suspended the link between the US dollar and gold, which led to the breakdown of the Bretton Woods system with the collapse of the fixed exchange rate system that defined world money in the postwar era (Woods, 2001).

[8] This crisis led to questionings about the role of multinational corporations (MNCs) in international political economy arena. Since this oil crisis highlighted that their political loyalty appeared to be more confusing, a new IPE scholarship began to examine whether MNCs act as pure economic actors free of home or host political attaches.

expression of US government's trade-off between domestic problems and international responsibilities. Subsequently, IPE pioneering scholars began debating whether this decision was a sign of declining US hegemony or indeed an exercise of its power. Moreover, this debate was animated by the statement "the dollar is our currency, but your problem" which is thought to have been said by John Connally, the US Treasury Secretary who presided over the break of the dollar from gold in 1971. Henceforth, the main disagreement at the heart of the debate was about the dependency of the international cooperation upon the will and capacity of a hegemonic state in the management of the rules of the game.

2. Different IPE traditions

Various IPE traditions have emerged following different ontologies and epistemologies[9] (Blyth, 2009). After having played a vital role in the first years of IPE, economists were supplanted by political scientists. Yet, in the current developments of IPE, economics is claiming its share through its epistemology (Cohen, 2008). Besides, American IPE pioneering scholars (Kindleberger, Keohane, Nye, Krasner…) were interested in hegemony and leadership through neorealist and neoliberal perspectives whereas

[9] Epistemology is a branch of philosophy that focuses on how knowledge is acquired and which attempts at drawing the line between valid and invalid knowledge. In International Relations, the debate in epistemology concerning those who seek to explain international relations (positivism, causal relationships guided by theoretical models to predict events) and those seeking to understand international relations (the most important is not the prediction of future events, but rather understanding the sense that agents give to their actions and those of others). In MacLeod et al, 2007) three strands of thought can be distinguished: • a) Empiricism (Locke and Hume as pillars): valid knowledge derived from experience through observation and experimentation. • b) Idealism (Kant as a leader): doctrine that argues that the existence of the subject is a necessary condition for the existence of objects, that is to say that reality is fundamentally mental in nature. • c) Rationalism (Descartes and Popper as precursors): demonstration of the solely role of reason in the acquisition and justification of knowledge.
Furthermore, a meeting of the empiricist and rationalist/analytical tradition of philosophy led to the positivism paradigm which is characterized by its criticism of speculative metaphysics, his search for a foundation for empirical science and its unification project of scientific language. It desires to identify and explain transhistorical laws of nature with theoretical and experimental laws. Karl Popper's neopositivism (methodological naturalism) emerged in response to logical positivism by substituting the principle of refutation (or falsification) to the verifiability of theories. One cannot prove that a hypothesis is true, but one can only argue that it has not been refuted. Hence, a theory which is not falsifiable is not part of science defined by neopositivism. However, the adoption of the empiricist epistemology by the positivism suggests the tendency to deny the legitimacy of unobservable theoretical entities which led to the emergence of postpositivist theories, such as social constructivism, based on the reflexivism paradigm where emphasis is put on the knowing subject in its social and historical context.

British and Canadian tradition (Strange, Cox,…) adopted constructivist epistemology[10] to analyze hegemony. For instance, Susan Strange, as a leading thinker of the British school of IPE, made a contribution to post-structuralist approach through her approach of "knowledge as power"[11]. Conversely, IPE studies are relatively underdeveloped in the other parts of the world for various reasons[12].

At a conceptual level, three IPE traditions are competing (Woods, 2001; O'Brien and Williams, 2004). The first is the liberal (institutionalist) tradition of the "free market" in which markets are assumed to be economically efficient and morally desirable. The optimal role of state institutions is, therefore, to correct markets imperfections while governments' failures to track good economic policies are a result of corruption or ignorance of decision-makers. The second is the mercantilist (realist) tradition which assumes that the world economy is an anarchical arena of competition among states seeking to maximize their relative strength and power. Hence, this tradition views international politics as a zero-sum game in a jungle where each state has to do what it can to survive and to maximize its wealth and freedom. However, some states have

[10] Cameron and Palan (2009), responding to Cohen (2008) statement about the weakness of British IPE in terms of empiricism, argue that the mainstream social science view of empiricism corresponds to Hume's constant conjunctions of observable events. In other terms, what the researcher sees is what he measures, and therefore what he gets. In fact, Humean's positivism ontology of empiricism is not the only way to conceive empiricism since a reflexivist and constructivist ontology can also be adopted. In this constructivist setting, beliefs, imaginations and social constructs are assumed to shape the way one may see the world and therefore analyze it through IPE.

[11] Strange used structural power and relational power approaches to move beyond the notion of "who has power" to the question of "how is power generated and for whom?" Structural power was not restricted to material capability or dominance, rather it was assumed to operate through four main structures in the global political economy, namely security, production, finance and knowledge (Strange (1970; 1996).

[12] Most Asian scholars studied hegemony through a neo-imperialism framework (Arrighi, 2009) whilst, to a lesser extent, Latin American analysts used IPE through dependency theory and Wallerstein's world system theory. The underdevelopment of IPE in Latin America is somewhat surprising since scholars of this part of the world were known for having formerly developed, in the 1950s-1970s, critical analyses of the world economy. For Palma (2009), the vanishing of IPE in Latin America tradition could be conceived as a political action, a deliberate forgetting by policy elites and intellectuals. The reason lies in a divergence between the facts generated by the world economy and the dependency theory. In another dynamic, France's approaches of IPE remain quite marginal. Among the potential explanations of this underdevelopment, Jabko (2009) retained the general bias against imported mainstream, especially US scholarship. Yet, in some continental European countries, such as Germany and The Netherlands, IPE approaches are substantial notably through constructivist frameworks. As Asian IPE scholars, the appetency of these European scholars relies in developing endogenous theories of political economy, notably those coming from the regulation and institution school.

noticeably more power and capability than others and they use this hegemonic power to determine the rules and limits of the system (O'Brien and Williams 2004).

The third is the Marxian tradition which sees the world economy as an arena of competition, not among states but between capitalist and working classes[13]. Dependency theory used these argumentations to analyze the unequal exchange between the industrialized countries and developing countries. Thus, this tradition explained underdevelopment and poverty in poor countries as the result of economic, social and political structures within them and which have been profoundly influenced by their international economic relations. In the same vein, Neo-Gramscian approaches stipulate that actors define and pursue their interests within a structure of ideas, culture and knowledge which itself is shaped by hegemonic powers[14]. In this framework, hegemony is expressed in universal norms, institutions, and mechanisms which are assumed to shape the behavior of state and non-state actors across national boundaries (Cox, 1987: 2002).

3. IPE and the rise of good governance in multilateral institutions' agendas

The three IPE traditions aforementioned have provided different explanations of international cooperation, notably through multilateral institutions (Woods, 2001). In fact, liberal institutionalists applied rational choice paradigm to the analysis of states' behaviors in their interactions with other states in order to explain international cooperation in economic affairs. Under some conditions, the institutionalist approach argue that states accept to be bound by international rules, norms or decisions of IOs even though, sometimes, the most powerful states will likely be noncompliant. In this context, IOs are assumed to manage globalization in order to guarantee that the liberal

[13] The struggle happens because capitalists seek to increase their profits and this requires them to exploit the working class. Indeed, the political and economic power of workers has been reduced with the rising flexibility and mobility of capital and the rise of MNCs and financial markets.

[14] Using the historical materialist framework, these approaches focused on how a historical bloc of liberal ideas, institutions and elites (for example, the Trilateral Commission or other international NGOs) are promoting the globalization of capitalism and the US hegemony.

model leads the world economy in both the interest of strong and weak states. Conversely, realist traditions argue that international institutions and organizations will constantly mirror the interests of leading states within the system. In this regard, the effectiveness of these IOs will persist only if they do not weaken the power of hegemonic states in respect of other states. Besides, in a perspective of constructivism through the reflexive paradigm, the existing IOs almost certainly reflect the interests of powerful states, but these interests are the products of the way states interact and are subject to reinterpretation and change (Wendt, 1992; 1999; Woods, 2001). Thus, the interests and identity of states are shaped by a social structure of interactions, normative ideas and beliefs which, in turn, influences the role of IOs as global governance managers. The rationale of IOs is to change domestic informational and institutional conditions which favor the possibility of pressures on government from domestic non state actors. Then, they are assumed to provide information that allows states to overcome the problem of collective action through changes in their behaviors (Frieden and Martin, 2003).

In such a situation, the institutions and framework of the current world political and economy system have their roots in the new order which took place after the Second World War. The San Francisco conference in June 1945 led to the adoption of the United Nations (UN) founding Charter by 50 countries. In the same line, the Bretton Woods conference in 1944 sough to resolve three striking problems related to the stability of global monetary system, the openness of world trading system and the post-war rebuilding of European economies (Woods, 2001). Three IOs emerged from this conference. The first one is the International Monetary Fund (IMF) which was created to guarantee a stable exchange rate system and the provision of emergency assistance to countries facing a temporary crisis in their balance of payments regime. In the Bretton Woods system, each country required the IMF's permission before any change of the value of its currency. In the meantime, IMF lost some of its functions when the Bretton Woods system broke down in 1971. Since then, the IMF has become an institution

offering financial and technical assistance to developing and transition economies under a condition of their firm commitment to undertake policy reforms[15]. The second one is the International Bank for Reconstruction and Development (IBRD which became the World Bank) created to facilitate private investment and reconstruction in Europe. It began its activities after the launch of the Marshall Plan to Europe in 1947 which allowed the US to impose its conditionality. Furthermore, the Bank's mission became to help other countries in their development process, which is actually the main reason for its existence[16]. The third one is the General Agreement on Trade and Tariffs (GATT) which was signed in 1947 and became an interim agreement and forum for negotiations and dispute settlement on trade liberalization until the creation of the World Trade Organization (WTO) in 1994. After the relatively successful Kennedy Round of 1962-1967, the GATT proved powerless vis-à-vis an increasing protectionism of dominant member states during the Tokyo round of 1973-1979 (for instance, the Multifiber Arrangement in 1974 limiting textile imports). After, the Uruguay Round (1986-1994), the GATT became the WTO which is assumed to improve the organization's performance in terms of finding quick consensus regarding trade disputes. The Doha Round, launched in 2001, is the latest round of trade negotiations among the WTO's members. It was also labeled as the Doha Development Agenda[17] given that its main purpose is to improve the trading prospects of developing countries.

Accordingly, the genesis of the good governance approach in the agenda of IOs dates back to sovereign debt crisis in the early 1980s. To some extent, the trigger of this good governance advent was also favored by the political liberal wave conducted in UK by Thatcher (in 1979) and in US by Reagan (1981). The IMF, which was losing its prominent

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[15] However, even some developed countries have benefited from the technical assistance of the IMF, notably in terms of provision of information standards (Broome and Seabrooke, 2007)

[16] Indeed, it is now the world's leading provider of development assistance to eligible member countries, through the IBRD, the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID). Except IDA (funded by donations from developed countries), the World Bank's resources come from its issue of bonds in the capital markets guaranteed by the member governments (Woods, 2001).

[17] See Graz (2004b) and Smith (2004) for further discussions on this emergent global trading order and its ability to take into account the interests of developing countries.

role after the Bretton Woods breakdown, had gained a new role with the debt crisis of the 1980s resulting from the rise in dollar-based interest rates in 1979. Hence, its work was becoming more overlapped with that of "its rather beloved sister", namely the World Bank. From then, the two sister-organizations started a collaboration aiming at ensuring that indebted countries undertook "structural adjustment programs" (SAPs) in their economies. The introduction of SAPs followed the World Bank's Berg Report of 1981, which argued that African states evolved in a trap of rent-seeking institutions that bring state financial resources in the pockets of political elites through notably a distortion of price structures (World Bank, 1981). These SAPs encompassed neoliberal policies labeled by John Williamson as "Washington consensus" that allow reducing inflation, government expenditure, and the role of the government in the economy through trade liberalization, privatization, and deregulation (Williamson, 1989). Keynesian approaches that prevailed in the world economy were then abandoned until the East Asia crisis at the end of 1990s and the increasing participation of some emerging countries in world affairs. Furthermore, the IMF and the World Bank were criticized by SAPs' opponents for having served as a voice of universal norms of neoliberal capitalism and hegemonic world order. The criticisms of SAPs were also expressed in terms of their harmful effects on some social and welfare outcomes in poor countries (Cornia et al, 1987). Subsequently, the instability and social resistance resulting from their implementation in developing countries led to their modifications in order to take into account social and institutional factors that shape reforms success (Plane, 1997). Therefore, the Highly Indebted Poor Countries initiative (HIPC) was introduced in 1996, followed in 1999 by the Poverty Reduction Strategy Paper (PRSP) initiative and the Comprehensive Development Framework (CDF) initiative. Somehow, through the CDF framework, IOs, and particularly the World Bank, found in promoting citizen participation a way to circumvent some corrupt governments by supporting NGOs and civil society associations.

III. Research questions and chapters outline.

This dissertation is interested in the conceptualization, diffusion, evolution and consequences of the governance doctrine for developing countries. More precisely it focuses on its economic, political, social and environmental dimensions within multilateral institutions' agendas in these countries. As displayed in the Table 1 below, the problematic of governance was extensively studied in many social sciences, and particularly in economics and political science. Therefore, this dissertation is voluntary restricted to the ways the governance doctrine was analyzed in these two sister-disciplines.

Table n° 1 : Governance in social sciences publications (1988-2008)

Governance in the title of publications		Governance in the topic of publications	
Political Science (428)	10.41 %	Economics (1445)	11.18 %
Economics (420)	10.21 %	Management (1287)	9.95 %
Public administration (419)	10.19 %	Political Science (1136)	8.78 %
Management (351)	8.53 %	Business (1097)	8.48 %
Law (338)	8.22 %	Public administration (1069)	8.27 %
Planning and development (314)	7.63 %	Planning and development (977)	7.55 %
Business (289)	7.02 %	Environmental studies (920)	7.11 %
Environmental studies (273)	6.64 %	Law (907)	7.01 %
International Relations(255)	6.20 %	Geography (772)	5.97 %
Business and finance (182)	4.42 %	Business and finance (683)	5.28 %

Source: Author, using ISI web of knowledge data.

1. The genesis and political economy of the governance doctrine

In chapter 1, we analyze the emergence of the governance doctrine which broke with the old tradition of political legitimacy and decision-making developed from the Antiquity throughout the Enlightenment eras. Hence, the conceptions, criticisms and mainstream research agendas on governance in economics and political science are scrutinized in this first chapter. It starts with the genesis of this doctrine dating back to classical philosophers' thought on the management and organization of societies. Some of the debates on the nature of political regimes in the Ancient Greece remain unsolved today, for instance, the issues relating to the dilemma between the efficiency and legitimacy of political regimes. In the ancient Greece, economics, considered as the art of

administering property, was the handmaiden of politics because it was essentially an individual matter. Hence, the treatises of Aristotle and other ancient Greek philosophers on economics cannot be well-understood without reference to the social and economic conditions prevailing at that time. Indeed, the Athenian state was formed by the combination of tribes and clans which encompassed three classes: nobles, farmers and artisans (Valier, 2009). Until the Middle Ages, the economic issues were analyzed in terms of religion and mainly by theologians. The Renaissance epoch marked a major turning point in the philosophical, political and economic thinking. The conceptualization of absolute power by Machiavelli (1469-1527) was opposed to the cosmopolitan and humanist approaches of Erasmus (1469-1536) and Thomas More (1478-1535).

Machiavelli's approach of political power and legitimacy based on the idea of absolute sovereignty, was conceived as an emerging political dimension of governance. However, this approach fatally leads to a moral dilemma in political power. Indeed, in 1513, the break was effective when in his book "The Prince", he argued that in a well-organized government, the State must be rich and citizens poor. In terms of economic policy, this resulted in a dominance of Mercantilism[18] over Physiocracy[19] supported by the humanist approach, notably that developed by Thomas More in his book Utopia (1516). Thomas More nurtured the dream of a better society and provided a source of inspiration to revolutionary ideologies. In Utopia, he expressed his criticisms on the quality of political regimes and the mismanagement of national and international economic systems. Hence, he argued that the primary function of a king was to deal with the misery of its citizens rather than worsening theirs situations (More, 1997).

[18] Mercantilist doctrines (1450-1750) advocated economic development through the wealth of nations which is assumed to come from trade balance by the accumulation of precious metals. Mercantilism is protectionist outside but inside, on the contrary, it aims at unifying and strengthening the domestic market. It objective is to strengthen the power of the state, personified by the absolute monarch.

[19] The physiocratic movement is a school of economic and political thought which gives priority to agriculture. In opposition to mercantilist ideas, the Physiocrats consider that the wealth of a country consists of the wealth of its inhabitants and not only that of the State. This wealth consists of all objects which satisfy a need and not only precious metals. For the physiocrats, the only truly productive activity is agriculture. At the political level, the physiocrats advocated for an enforcement of natural law.

Furthermore, Enlightenment thinkers proposed a contractual approach of political legitimacy based on equality, freedom and citizens' sovereignty as the optimal way to handle the move from the state of nature to civility. In terms of economic considerations, David Hume (1711-1776) and Adam Smith (1723-1790) criticized the mercantilist approach for their interest in the currency and the trade balance. For these liberal approaches, the concept of market is first and foremost sociological and political. In fact, it serves as an institution of regulation in a context of lack of concordance between the interests of governments (located in a particular territory) and those of private economic actors who are supposed to have evolved in a globalized world without borders (Chavagneux, 2001). In the nineteenth century, the rise of capitalism triggered a period of political reaction and, therefore, some economic doctrines of protectionism and interventionism emerge, advocating an expanded action of the State and a more considerations to the historical and sociological context. To some extent, the current conceptions and debates about the governance concept in its local, corporate, national and global dimensions derived from these historical approaches. The interplay between political legitimacy and economic efficiency remains at the heart of good governance approaches developed by IOs for their activities in developing countries. For instance, in the 1997 edition of its World Development Report (WDR), the World Bank showed its appetency for democracy. Yet, it remained caution about the links between political regimes and economic development because there is no evidence that a single type of political regime can guarantee economic and social progress (World Bank, 1997).

Hence, this chapter proposes a discussion on some conceptual problems affecting the governance concept, more precisely those related to the interdisciplinary confrontations in economics and political science. Some scholars are even doubtful vis-à-vis the use of the governance concept for scientific analyses because they think that it generates more confusion than precision. The reason lies in the highly polysemy that emerges from its uses (Paye, 2005). Furthermore, the political economy of the emergence and consolidation of good governance in developing countries is discussed with regard to

the role of IOs. Most of these IOs were strongly influenced by the Public Choice School that adopted the theory of political market, bureaucracy and rent-seeking to point out the excesses of public interventions that mask individual preferences. Since the supply of good governance infrastructures can be considered as public good, the question remains to know why some states succeed whereas others fail to provide these services and infrastructures. Indeed, politicians and bureaucrats can act as economic agents trying to satisfy their own interests. Thus, political corruption may increase with the game of democratic institutions as long as the money from the political corruption is often used to buy the voices of less politically active voters and those only motivated by short-term gains (Cartier-Bresson, 2008). Accordingly, the rent seeking theory considers that a state, once beyond its minimum size, is no longer neutral and will be responsible for the development of rent-seeking behavior. In addition, the distribution of political power within a country and the institutional structure of its rule-making institutions are critical factors to the emergence and sustainability of good governance institutions[20]. Since social groups have different endowments, bargaining and competition powers, the prevailing institutions are expected to serve only the interest of a small part of society. In the process of claiming their common interests, the ability of citizens to undertake collective actions, especially through political parties and civil society, conditions government's incentives to pursue policies in the public interest (Acemoglu and Robinson, 2006; Keefer, 2011; Devarajan et al, 2011). The action of civil society is thought to be a prerequisite for good governance, as well as an indicator for it, because political accountability is supposed to depend, in part, on the capacity of civil society to curb the hegemony of the state[21]. The process of authority centralization and institutionalization is not yet effectively achieved in weak states. However, the struggle

[20] Several empirical studies argue that political institutions are predetermined and given by history, and therefore exogenous. However, the logic of political economy implies to consider governance institutions as essentially endogenous. In fact, one could admit that the primary objectives of a government and a constitution are to ensure favorable economic conditions for those holding political power (Acemoglu, 2005). Subsequently, institutions may serve purposes of power rather than efficiency.

[21] Nonetheless, people who live beyond the reach of the state in developing countries are likely inclined to be preoccupied with economic survival and have little time or enthusiasm for politics unless they realize that, alone, their survival is increasingly difficult to achieve (Braton, 1989, Bratton and van de Walle, 1992; Lewis, 2002; Roy, 2008).

to do it may produce some politicization of the bureaucracy, state capture, a lack of effectiveness, accountability, and control (Doornbos, 2002; Lankester, 2004; Roy, 2008; Odugbemi and Taeku, 2011). In the presence of strong institutions, people can hold the power to sanction politicians through election whereas, in contexts of weak institutions, political powers are likely to pursue clientelistic policies that reprimand people who do not express support for them[22] (Acemoglu, 2006). The debate remains on the central issue related to the identification of the best ways and timing to move towards better governance in a specific country context, given the scarcity of resources, knowledge, human and organizational capacities. In fact, governance institutions are neither bad nor good in themselves because outcomes are what matter. Therefore, replacing bad institutions with good ones may possibly produce worse outcomes for some societies[23] (Evans and Ranch, 1999; Grindle, 2007; Keefer, 2004; Rodrik, 2006; Brinkerhoff and Goldsmith, 2005). Finally, the existence of governance trap and the likelihood to escape from it are shaped by globalization, notably the international financial integration that makes harder to tax elites since they can easily evade their money out of a country. Therefore, the reality of greater interdependencies among countries implies to consider international actors as potential key stakeholders of good and bad governance in some developing countries. This international political economy reality guided the rationale of the following chapters that focus on the role of IOs in governance building in developing countries.

2. The propagation and evolution of economic and political dimensions of governance: the role of IOs

In chapter 2, we deal with the diffusion and evolution of the political and economic dimensions of governance as well their consequences for developing countries in terms

[22] Consequently, non-compliance and disregard of the rule of law, corruption, civil conflict as well as poor economic performance are the manifestations of low accountability and legitimacy (Bratton, 1989, Roberts, 2008).
[23] Even though it is reasonable to assume that economic growth is needed to maintain and reinforce good governance infrastructures, it remains that the existence of a set of minimum good institutions is crucial to economic take-off.

of development policies advocacy and foreign aid management. The chapter proposes a political sociology of IOs by discussing the influences of powerful states on the conception, diffusion and evolution of the governance approach developed by IOs, notably the World Bank. The concept of good governance has become a fashionable approach since it was promoted by IOs, in particular by the World Bank. Good governance lies in the registry of value judgments which provides prescriptions in terms of best practices. Thus, this chapter adopts a social constructivist[24] approach of IPE given that the diffusion of governance norms could be conceived as an expression of developed states' soft[25] power through knowledge framework. Some powerful states are assumed to use the multilateral framework in order to pursue their selfish interests by promoting a liberal approach of governance. In this approach, the birth of IOs is anchored in a social process of creation and dissemination of ideas, norms and value systems worldwide. The production and dissemination of these standards are operated through a variety of actors in developing countries: outstandingly governments, IOs, NGOs, multinational firms, think tanks and international networks of knowledge. These actors are embedded in relations of influence in terms of policy ideas about economic, political and social governance.

Furthermoe, in a constructivist framework, IOs are considered as powerful and autonomous actors of global governance (Haas, 1992; Finnemore, 1993). Thus, their conceptions of governance have naturally shaped policies in developing countries, but to some extent, these conceptions have even influenced the design of governance in foreign policies of powerful member states.

The IPE approach also suggests taking into account the influence of non state actors in the governance agenda developed by the World Bank and other IOs. In another perspective, these non state actors could also be conceived as channels through which powerful states and IOs disseminate their conception of governance. Indeed, some multilateral agencies have understood the importance of this knowledge-based channel

[24] However, this constructivist approach is closed to some poststructuralist approaches of IPE such as those developed by Susan Strange by considering knowledge as power.

[25] See Nye (2004) for the concept of soft and smart power.

of influence by developing and sponsoring networks for the dissemination of good governance practices. The World Bank has probably insisted more than others through the Global Development Network (GDN), but the UN has not been absent from this process through the UN Institute for Research on Social Development (UNRISD). The OECD also developed its approach which is operating through its Network on Governance (GOVNET). Meanwhile, non-state actors have also set up forums for meeting and values sharing, sometimes contradictory like those of the World Economic Forum (WEF) of Davos and the World Social Forum (WSF) in Porto Alegre (Deacon, 2007).

The development of the World Bank as a "Knowledge Bank" was one of the major objectives of Wolfensohn's Presidency. This new vision was the combination of the President's corporate pragmatism and Stiglitz's own academic influence on the emergence of information economics. At the end of the 1990's, the organization was more than ever focused on a triptych consisting in creating and sharing knowledge for applying the "best practices" in member states (Squire, 1999; Mehta, 2001; Krueger, 1998; Das, 2009; McNeill, 2006; Plehwe, 2007 ; Stiglitz, 1999; 2002). Although their mandate requires political neutrality, multilateral institutions have progressively associated political considerations to economic aspects of their governance approach in developing countries (Cartier-Bresson, 2000, 2010; Boas and McNeill, 2003; 2004; Sindzingre, 2001; 2003). Yet, the conflict between the economic and political dimensions of governance constrains IOs' actions because their mandate does not allow them to venture into the political sphere of the partner countries. However, experts of IOs found in "governance" a convenient expression to talk about politics without naming it while they do not have an explicit mandate to do so. In fact, the itinerary of governance concept could be understood mainly through the evolution of the role of the State in development. Since the World Bank's mandate concerns development, and as development objectives are of course broad, the Bank was more subjected to shifts in its policies than others IOs such IMF or WTO which have more specific mandates. Accordingly, the culture of political neutrality of the World Bank was strongly affected

by the advent of governance (Williams and Young, 1994; Weaver, 2008). Ibrahim Shihata, the Bank's general counsel at the epoch of the first Bank's report on governance (the Lundell-Mills report[26]), authorized the operationalization of the governance approach, but by suggesting to restrict it to its technocratic and economic dimensions in order to remain in conformity with its articles of agreement (Shihata, 1995; Weaver, 2008). Thus, the Bank has to prove that the political aspects of governance have consequences on economic development issues, which might explain the Bank's interest on the governance doctrine. For all these reasons, the Bank progressively took a position on the political aspects of governance as it appeared obvious that only a technocratic approach of governance reforms would become ineffective. Furthermore, IOs and other donors have a responsibility and an interest in ensuring that aid improves rather than undermines domestic accountability. This implies to use country systems in providing aid enabling to empower domestic checks and balances institutions such as parliaments, the media and civil society organizations. Certainly, neither aid conditionality nor aid selectivity has been successful because of a mismanagement of the question of responsibility and effort of recipient governments. The World Bank was a leader in having forged good governance into its approach of aid selectivity based on the Country Policy and Institutional Assessment (CPIA). The Bank has strongly influenced other multilateral agencies in their process of allocating aid, including sub-regional multilateral banks in Africa, Asia and Latin America. By making a counterpoint to this approach, UN agencies have not adopted a principle of selectivity based on the quality of governance. The influence of the World Bank has also reached most bilateral donors, some of which borrow and reinterpret the concept according to their own philosophy.

[26] See World Bank (1989)

3. IOs and sustainable development: an exploration of social and environmental dimensions of governance.

Chapter 3 focuses on the social dimensions of governance in IOs' agenda whilst chapter 4 is based on its environmental ones. The agendas of IOs at the beginning of 1990s were marked by a growing interest in social and environmental dimensions of development. In 1990, the UNDP launched the first edition of its Human Development Report (HDR). This first report presented the concept of human development in terms of a variety of choices available to populations to make development more democratic and more participatory. This is required to guarantees the possibility for each person to enjoy a decent life. Besides, the UN Earth Summit in Rio in 1992 laid the foundations of the environmental issues in IOs agendas. Besides, the problems of environmental sustainability and human development cannot be separated since the environmental sustainability cannot be achieved without a solution to the problem of poverty affecting the majority of humanity.

Most IOs have adopted a liberal approach of social governance expressed in terms of equity viewed as a respect of equal opportunities. Equity is assumed to enable all members of society to be socially active, politically influential and economically productive in the context of lack of absolute deprivation (World Bank, 2005). Hence, the discourse and social policies of IOs cover sectors like education, health and welfare. However, some differences emerge on the importance attached to the public sector compared to the private one (Deacon, 2007). In the 2010 edition of its report on development (ERD), the European Commission (EC) supported the need to develop social protection policies as a strategy of inequalities reduction and inclusive growth. Hence, a better social protection policy is one of the engines of state legitimacy (European Union, 2010). At the World Bank, the rise of the discourse on social protection intervened in the early 90s as a result of criticisms about some harmful effects of SAPs. Since then, the Bank has opened a heated debate on the future direction of

social policy and the fight against poverty. Furthermore, the production of social governance standards in developing countries is also under consideration in the agendas of the WTO, WHO and ILO. This is especially the case in some issues of labor regulation and health standards in industries connected with international trade. In this same line, global social governance encounters intense collaboration between some IOs such as UNESCO, UNDP, UNICEF and the World Bank which have been working together since 2000 for a hypothetical achievement of the Millennium Development Goals (MDGs) by 2015. To some extent, this MDGs advent illustrates the emergence of social governance based on a minimum international redistribution. It results from the interaction of economic and political dimensions of liberal governance and the principles of efficiency and equity. The rise of this global social governance gave a new impetus to IOs' agendas through notably their development aid. Hence, a substantial reduction of inequalities in the world system needs a kind of global Marshall Plan that provides a sufficient amount of aid to developing countries. In such a perspective, the use of multilateral channels by donor governments has emerged as a way to rationalize the allocation of aid through better consideration of the needs of recipient countries, but also to take into account aid efficiency requirements. The main providers of aid to multilateral agencies delegate almost a third of their resources and this share is around a half for Nordic countries. Indeed, donor governments, which have low weight in the international arena, are more likely to choose the multilateral option to reduce the cost of their aid implementation and to achieve greater efficiency. More generally, the advent of good governance in IOs' agendas lies in this quest for a solution to moving out of the relative vulnerability of donors to Samaritan's dilemma situation[27] (World Bank, 1998). Subsequently, the multilateral aid effectiveness in terms of social governance is appraised through its performances in reducing income inequalities of opportunity

[27] In a pioneering article on the Samaritan dilemma, Buchanan (1975) showed that through his charitable action, the Samaritan becomes responsible for the long run interests of the parasite. In a case of a dilemma expressed in terms of an incapacity to rationally arbitrate between short-term and long-term gains, Buchanan suggested delegating the authority for the decision to an external agent. This agent is expected to be able to pursue the objectives of the Samaritan without being a victim of the parasite opportunistic behavior. The agent will have no incentive to make charity if the parasite does not produce sufficient effort.

between individuals and improving social protection in recipient countries. Consequently, in this chapter, the interest is put on the potential effect of IOs aid on domestic income inequalities and recipient governments spending on social sectors.

In another perspective, IOs can be viewed as key actors in the promotion of the worldwide environmental sustainability. Thus, in chapter 4, we focus on the role of IOs in environmental dimensions of governance by taking the case of deforestation in developing countries. This choice was motivated by the fact that the international community is currently worrying about the sustainability of development, especially in terms of environmental protection and climate change, considered as international public goods. Besides, for some developing countries, deforestation is definitely compromising their chance of long term development. In addition, the selfish interests of some developed states are expected to guide their environmental behaviors, particularly their willingness to tackle deforestation in developing countries. However, IOs contribute to the adoption of international environmental agreements and provide aid to recipient countries in the developing world. This contributes to boost the supply and demand for governance infrastructures enabling to curb environmental damages. Meanwhile, non-state actors are also playing a significant role in environmental compliance and demand for better governance. In fact, the public supply of good governance infrastructures is not sufficient to protect environmental commons. Hence, a better understanding of environmental compliance and deforestation factors is first required (Angelsen et al, 2009). In fact, the global deforestation still remains a major environmental issue. The Food and Agricultural Organization (FAO) estimated it around 13 million hectares a year in the last decade against 16 million hectares per year in the 1990s (FAO, 2010). In these circumstances, 2011 has been designated "The International Year of Forests" by the United Nations General Assembly. From local to global, the negative externality problems related to deforestation are conflicting and necessitate an involvement of various stakeholders interacting at different scales. For instance, these interactions involve demand and supply side of good governance actors,

political versus economic actors and local/national versus international actors. Deforestation is likely to result from the existence of rents, discretionary powers, low accountability, grand and petty corruption. Consequently, governments will be constrained in their ability to enforce compliance with environmental policies while being vulnerable to lobbying activities. In such a situation, IOs can play a valuable role as regulators and producers of international environmental enforcement rules, but also in providing aid for investment in legal and administrative infrastructures. IOs can also contribute to improve the behaviors of different stakeholders in terms of environmental compliance by supporting demand side actors such as civil society organizations (CSOs). For instance, the Kyoto Protocol has launched the international initiative for reducing greenhouse gas (GHG) emissions whilst the United Nations Forum on Forests (UNFF) and the UN collaborative programme on Reducing Emissions from Deforestation and Degradation (UN-REDD) proposed an incentives-based mechanism to reward the governments of developing countries for their performance in reducing deforestation. Therefore, in this chapter, we are interested in the potential effect of IOs on the outcome of domestic political economy in terms of deforestation.

IV. Thesis Main Results

The first part of this dissertation uses two chapters to explore the concept of governance in its genesis, conceptualization, diffusion and appropriation in the international development community. In chapter 1, we show that contemporary approaches of governance could be derived from Antiquity, Renaissance and Enlightenment philosophers's conceptions of power, authority and legitimacy. Ensuring the general interest and enabling individuals to pursue their personal interests under some institutional arrangements are the roles granted to State by liberal thinkers of Enlightenment. Hence, the approach of a contractual state of Hobbes, Locke, Hume and Rousseau was adopted by Adam Smith through his concept of minimalist state. Most IOs have opted for this individualistic approach of state which was remarkably

developed by the Public Choice School. However, what changes in current conceptions of corporate, national and global governance is the emphasis put on the multiplicity, heterogeneity and hybridity of stakeholders. Rather than seeking to provide comprehensive definitions of the governance concept, this chapter has proposed a conceptualization of governance through a characterization of its main common interdisciplinary dimensions in economics and political science. It also brings together some criticisms on the methodological, operational, teleological and ideological backgrounds underlying the governance concept and their consequences for developing countries.

Chapter 2 brings its contribution to the debate on ideas and norms diffusion in development policies field. We show that the World Bank has developed different behaviors vis-à-vis governance ideologies, moving from economic to political and social approaches through a neoliberal framework. This chapter also proposes an assessment of the World Bank's soft power with regard to the worldwide dissemination of governance norms through a bibliometric approach. We demonstrate that the World Bank, in addition to its financial activities, has developed a real leadership to become a global knowledge Bank through its production and dissemination of governance data and its research activities. We also found that the World Bank's smart power, based on its governance indicators, has exerted some substantial influences on its foreign development assistance policies as well as those of the other key aid actors.

Through two chapters, the second part of the dissertation investigates about social and environmental dimensions of governance in a perspective of sustainable development in developing countries. Thence, chapter 3 studies the behaviors of IOs in terms of social governance. It shows that the trade-off between equity and efficiency in foreign aid allocation led to the emergence of the good governance approach as a way to overcome the Samaritan dilemma through the delegation of aid to IOs. The empirical investigation on the effects of multilateral aid on income inequalities and social protection in

developing countries has produced mixed results by stressing some beneficial effects of aid only in recipient countries with good governance policies.

Chapter 4 has built a principal-agent model highlighting some political economy interactions between supply and demand sides for good governance through the links between environmental compliance, corruption and deforestation in developing countries. The role of multilateral and bilateral donors in environmental protection was also assessed through their aid. This chapter shows the necessity to pay more attention to the demand side of governance by promoting stakeholders' compliance and government's accountability. Indeed, the supply side of good governance is found to be necessary but not sufficient in protecting the environment. Thus, environmental compliance is found to be a substitute of low judicial efficiency and a complement of high judicial efficiency in combating deforestation. Empirical investigations found that multilateral aid to the forestry sector is more effective in reducing deforestation in countries where both environmental compliance and rule of law is better.

Finally, the findings of this thesis highlight the need to take into account the interdisciplinary character of the governance concept and the importance of knowledge production and diffusion in the agenda of IOs. These findings also shed some light on the relative importance of social governance in the process of coping with the Samaritan dilemma. They also call for a promotion of stakeholders' compliance and a better appropriation of institutional reforms in order to move towards a sustainability of governance reforms in developing countries.

PART I

Part 1. The governance doctrine: genesis, conceptualization, diffusion and appropriation in the international development community.

Abstract

Through two chapters, we examine in the first part of this dissertation the governance doctrine in its genesis, conceptualization, diffusion and appropriation in the community of international development. In the first chapter, we discuss the political economy of governance by following its history, conceptualization, ideological and interdisciplinary frameworks in economics and political science. From the Antiquity to the Enlightenment, the premises of the governance doctrine have evolved around the issues of political power, authority, legitimacy and economic efficiency. Furthermore, modern evolutions of the doctrine break with these traditional approaches by taking into account the diversity and heterogeneity of actors engaged in the process of decision-making. We propose a conceptualization of governance through its fundamental common interdisciplinary dimensions. This approach differs from those based on the identification of universal definitions of governance. Hence, we present market economists' approaches using transaction costs and neo-institutionalism theories, while governance approaches in political science are analyzed in terms of political, administrative and global governance. After a presentation of mainstream research agendas on the governance doctrine, we address some critical appraisals on this doctrine and its consequences for developing countries. In the second chapter, we focus on the role of international actors in the worldwide diffusion of the governance doctrine by examining the specific case of the World Bank. This chapter brings its contribution to the debate on ideas and norms diffusion in the field of economic development. The debate is expressed in terms of why some norms are more successfully diffused than others. Put differently, the question is about the potential primacy of norm power over that of its promoter. This also raises the debate in terms of relativism and universalism in the conceptualization of governance norm. We show that the World Bank has developed different behaviors vis-à-vis the governance doctrine, moving from economic to political and social approaches through a neoliberal framework. This chapter also proposes an assessment of the World Bank's soft power with respect to the worldwide diffusion of governance norms through a bibliometric approach. We found that the World Bank, in addition to its financial activities, has developed a real leadership to become a global knowledge's Bank through its research activities and governance data production and dissemination. We also examine the Bank's smart power through influences of its governance indicators (Country Policy and Institutional Assessment-CPIA, Worldwide Governance Indicators-WGI, Doing Business-DB) on its foreign development assistance policies. Theses influences are also checked for other key bilateral and multilateral aid donors.

CHAPTER 1

Chapter 1: The political economy of governance: genesis, conceptualization, ideological and interdisciplinary frameworks.

Abstract

This chapter proposes an analysis of the extensive literature and debate on the governance doctrine. As a first step, it starts by an attempt to address the history of this doctrine dating back from ancient Greece philosophers' thought on the management and organization of societies. At that time, the main worry was about the nature of the optimal political regime. Some reflections of Ancient Greek philosophers, about the process of deliberation and the dilemma between the efficiency and legitimacy of political regimes, highlight the roots of the political dimensions of the emerging governance doctrine. Further, our exploration of the itinerary of the doctrine of political legitimacy makes a stop at the Renaissance period where the principal debate centered on Machiavelli's approach of political legitimacy based on the ideas of absolute sovereignty. However, as this approach fatally entailed to moral dilemmas in political power, it was challenged by humanist and utopian approaches developed notably by Thomas More. In these humanist approaches, the political legitimacy is assumed to primarily result from the ability and willingness of political rulers to tackle the poverty of theirs citizens. Thus, in terms of economic efficiency, the mercantilist approach underlying Machiavelli's advocacy was opposed to the physiocracy approach suggested by Thomas More. These approaches were followed by those of Enlightenment's thinkers in the eighteenth century based on the principles of the social contract, equality, freedom, human reason and ultimate sovereignty to people. Hence, the main concern became the organization of the delegation of power and the need to formulate checks and balances through the separation of powers in order to avoid abuses. From economic perspectives, the liberal approach of Adam Smith has influenced the Public Choice School which shaped, in turn, IOs' conception of good economic governance. By considering the diversity of decision-centers and stakeholders, current conceptions and debates about the governance doctrine (in its local, corporate, national and global dimensions) break with these traditional approaches of political legitimacy and economic efficiency. Thus, we discuss some definition issues arising with the concept of governance as well as the interdisciplinary confrontations surrounding its conceptualization in economics and political science. Before a presentation of different criticisms on this doctrine, we set out an analysis of the key governance research agenda in these two disciplines.

***Key words**: Governance; Enlightenment; International Political Economy; Power*

Introduction

The notion of political economy is conceived nowadays as the studies linking politics and economics. This is developed under a framework of rational choice inherited from economists or through power-based[28] models developed in political science. Unlike rational choice models, the power-based model finds that cooperation does not always lead to beneficial outcomes for all. In fact, institutions might be persistently created in favor of powerful interests (World Bank, 2008). Indeed, power is a missing variable in most economic models as their primary purpose is efficiency rather than legitimacy. How does politics affect economic outcomes? From Montchretien in 1615, Adam Smith's Wealth of Nations in 1776 to John Stuart Mill's Principles of Political Economy in 1848, this question was at the heart of economics, formerly called political economy. The rationale underlying this label was the belief that economics was not fundamentally distinguishable from politics (Miller, 1997; Drazen, 2000). Hence, the current flowering of the notion of political economy appears as "an old wine in a new bottle", although its expression in terms of international political economy seems to offer some exciting intellectual challenges placing International Organizations (IOs) at the heart of the emerging global governance. Certainly, any new student during his first year of economics studies was aware of Lionel Robbins' famous definition of economics as the science which studies human behavior as a relationship between various ends and scarce means that have alternative uses (Chavagneux, 2001). The above definition of economics does not tell us how the ends are defined since this falls under the field of

[28] In political science, power is conceived as the probability that an actor in a social relationship will be in a position to carry out his own will despite resistance, and regardless of the basis on which this probability rests. Put differently, it refers to the ability of a person or a group of persons to affect outcomes that their preferences take precedence over the preferences of others. In this way, politics can be considered as being those mechanisms and structures which determine the respective weight given to the principal values (wealth, security, justice, freedom) for a society as a whole, as well as their allocation to each social group and individual. Consequently, political action is conceived as the aggregation of wills in the service of a shared objective, in terms of the hierarchisation of values and their allocation (Strange, 1970; 1996).
From these definitions, Chavagneux (2001) considered "political economy" as "those economic approaches that, in one way or another, integrate these dimensions of politics and power through some questionings such as: How do these aggregations form? What are the results of them? Who benefits from them? Which values do they promote? What happens when they disappear? What are the reasons for this?" This is for instance the case of approaches which have been developed within the framework of public choice school.

sociology. In addition, from the issue of scarcity noted in this definition, it appears obvious that the starting point of political economy remains the political nature of decision-making. Indeed, economists have, as primary goal, the identification of ways the goods which enable people to become rich are produced and exchanged. As argued by Chavagneux (2001), since the structure of the social space incites to the pursuit of individual self-interest, the basic motivations of economic agents shifts from subsistence to the accumulation of wealth. The problem is that, even though the goods offered by the nature are sufficient for the subsistence of everyone, there are not enough in the economy for everyone to become rich. From this observation, it appears obvious that a decision solely based on economic considerations will be subjected to political struggles. The reason is that it is impossible to conciliate individual choices with collective ones without some individuals being obliged to comply with decisions taken by others when their preferences differ. Therefore, the concern is how politics (as struggles for power and authority) will affect economic choices in a society since the facts show that adopted policies are often quite different from ''optimal'' policies. Albeit economists can find optimality through technical tools[29], the collective choice remains essentially subject to political constraints because of conflict of interests related to the heterogeneity of actors' preferences. Hence, normative political economists would seek to understand how societies can reach specific economic objectives given the dynamic of political constraints. This supposes to overcome political constraints within the existing institutional framework or even perhaps to build new political institutions (Drazen, 2000).

Accordingly, as treated in this chapter, the governance concept is depicted following these aforementioned principles of political economy. Indeed, the recent fashion and explosive growth of interest in the quality of governance in developing countries can be

[29] Indeed, economists used to develop models assuming that in competitive markets as in individualist democracies, an impersonal rule is supposed to replace power struggles and conflicts of will. Hence, economists' assumptions are not always based on the correct abstract view of the world. But to this regard, Chavagneux (2001) reminded the point of view of Maurice Allais (the Nobel prizewinner in economics) who noted in 1968 that "today, the real danger in economic science no longer lies in an unjustified resistance to the use of mathematics where it is necessary, but in the temptation to misuse it".

related to different advents at the international political economy level. As argued by Arndt and Oman (2006), a first set of phenomena refers to a spectacular growth of international investment in developing countries over the last decades. The average annual net inflow has moved from $10 billion in the early 1980s to over $150 billion since 1997. A second set of phenomena is related to the end of the Cold War through change in the attitudes and behaviors of OECD's governments, national and multilateral aid agencies towards developing-country governments. Since stopping the communism was no longer the top at the agenda of these international actors, it appears somewhat curious that they suddenly perceived a growing failure and weakness of policy reforms in developing countries. These reforms were widely prescribed in the "Washington Consensus" in reaction to the third world debt crisis in 1980s. Indeed, the World Bank's report in 1989 (Long-Term Perspective Study (LTPS)-Sub-Saharan Africa: From Crisis to Sustainable Growth) witnessed the emergence of the governance concept as a new explanation of the underdevelopment trap (World Bank, 1989; Brautigam, 1991).

From such a perspective, this chapter proposes an analysis and review of the wide literature on the doctrine of governance. As a first step, it starts with an attempt to address the history of this doctrine dating back to classical philosophers' thought on the management and organization of societies. At that time, the main worry was about the nature of the optimal political regime. Some reflections of Plato and Aristotle about virtue and the process of deliberation in city regimes as well as the dilemma between the efficiency and legitimacy of political regimes highlight the seeds of the governance doctrine. The next stop in the exploration on the itinerary of governance doctrine is the Renaissance period where the dominant debate focused on Machiavelli's approach of political legitimacy based on the "raison d'état" – the idea of absolute sovereignty. However, as this approach fatally led to moral dilemmas in political power, it was challenged by humanist and utopian approaches developed notably by Thomas More. In these humanist approaches, the political legitimacy is assumed to result from the ability and willingness of political rulers to tackle the poverty of theirs citizens. Thus, in

terms of economic efficiency, the mercantilist approach underlying Machiavelli's advocacy was opposed to the physiocracy approach suggested by Thomas More. Further, Thomas Hobbes (1588-1679), as one of the precursors of Enlightenment visions of political legitimacy, proposed a contractual approach based on a Leviathan's sovereignty as the optimal way to manage the move from the state of nature to civility. This was followed by approaches of Enlightenment's philosophers based on the principles of the social contract, equality, freedom and human reason. Hence, the ultimate sovereignty goes to people. The main concern became the organization of the system of delegation of power to avoid abuses by designing checks and balances and applying separation of powers. About these checks and balances, some post-Enlightenment thinkers, such as Alexis de Tocqueville and Antonio Gramsci, pointed out the role of civil society for the efficiency and legitimacy of political regimes.

From economic perspectives, the liberal approach of Adam Smith has influenced the Public Choice School which shaped, in turn, IOs' conception of good economic governance. By considering the multiplicity of decision-centers and stakeholders, current conceptions and debates about the governance doctrine (in its local, corporate, national and global dimensions) break with these traditional approaches of political legitimacy and economic efficiency. The second section discusses the problems relating to the definition of the concept of governance as well as the interdisciplinary confrontations surrounding its conceptualization in economics and political science. We discuss the dangers of the prevalence of some vagueness surrounding the definition of governance concept. The sources of interdisciplinary confrontation can be identified in the two-headed character of the concept of governance in which the technical aspect is competing with the political one. Governance, as seen by market economic theories, is analyzed under the banner of transaction costs, agency theory and neo-institutionalism approaches. In political science, we examine governance treatments in administrative sciences, political sociology and International Relations, especially in terms of public-private partnership, political accountability and legitimacy, and global governance

issues. The third section of this study sets out an analysis of the main research agenda on this doctrine in these two disciplines. This allows us to grasp the interactions between different governance actors through the principle of active subsidiarity in relation to different levels of governance from local to global. In addition, the political economy of "good" governance emergence and consolidation in developing countries is discussed as well as the potential role for IOs in fragile states. The tendency to develop governance largely as a "black box" does not provide sufficient practical guidance for governance reforms. The issues along the lines of whether the state should be seen as a problem or solution to "good governance" inevitably set limits of a normative and technocratic approach influenced by ideological bias. Thus, the fourth and final section of this chapter brings together some criticisms on the governance doctrine before concluding.

I. The genesis of political and economic dimensions of the governance doctrine

The recent flowering of the governance doctrine in social sciences as well as in public arenas should not hide the long itinerary that it has followed. Like an "old wine in new bottle", the governance doctrine kept some old characteristics, such as the sources of legitimacy and efficiency of political regimes, while some new issues, such as the multiplicity of actors and the increasing global interdependency, arose as the world changes and becomes more complex. Thus, this first section describes the evolution of the governance doctrine by starting from Antiquity up to modern times. The political dimension of the governance doctrine, notably the issue of legitimacy, is prior to its economic one which refers essentially to the efficiency issue in resources allocation. Indeed, the economic dimensions of governance has started to become a concern when, in Middle ages, empires and kingdoms grew both in terms of population and space.

1. From Antiquity to Enlightenment philosophers' conceptions: political legitimacy versus economic efficiency[30]

1.1. The Antiquity philosopher's conceptions of political legitimacy: the issue of justice and optimal political regime

Philosophy being the school of doubt, the task of the philosopher is to question and challenge conventional wisdom. In this perspective, the most famous thinkers of late Antiquity set out the foundations of what will become in modern times the governance doctrine. Some debates about the nature of political regimes in the Ancient Greece remain unsolved today. This is for instance, the issues relating to the dilemma between the efficiency and legitimacy of political regimes. In the Ancient Greece, economics was the handmaiden of politics because it was essentially an individual matter. Hence, the treatises of Aristotle and other ancient Greek philosophers on economics cannot be well-understood without reference to the social and economic conditions prevailing at that time. Indeed, the Athenian state was formed by the combination of tribes and clans which encompassed three classes: nobles, farmers and artisans (Valier, 2009). At this epoch, the main concern was about the nature of the optimal political regime since large cities already existed in the Greek Empire. Pythagoras (VI century B.C.), one of the first recognized philosophers in ancient Greece, has shown his preference for the aristocratic regime - a government of the elite - conceived as the best political regime (Kahn, 2001). In the same way, Plato distinguished five political regimes. The first one is aristocracy, the best government according to him. It corresponds to the ideal of the "philosopher-king" who holds power and wisdom. This regime is followed by four imperfect regimes: timocracy (honor-based regime), oligarchy (wealth-based regime), democracy (an equality-based regime) and tyranny (a desire and lawless-based regime). The tyranny regime marks the end of politics, since it abolishes the rule of laws.

[30] The author is aware of the potential risk of misinterpretations and shortcomings likely to result from any historical analysis because what is called today "governance" was not certainly labeled in the same way by thinkers two millennium ago. Our intention is then to provide a very short analysis on the potential itinerary followed by the different dimensions of what we consider here as "the governance doctrine". Of course, this short analysis may be considered as a shortcut, but we hope it will be helpful for some readers in understanding the current approaches of governance.

Thus, Plato's fondness for aristocracy was expressed in his dialogue "The Republic" where he advocated the need for a society to be ruled by a "philosopher-king". Noting the unjust death of Socrates, Plato argued that the human suffering will not end unless genuine philosophers come to power, or by a divine grace, kings begin to philosophize (Platon, 2008). In fact, if the rulers of the world were prepared to receive the light of reason, they could understand that good governance is quite affordable and achievable for each society. Plato knew that the Kings never follow the advice of philosophers, if they were not themselves. In turn, since any power is likely to corrupt and deprave virtuous minds, Plato was wondering whether philosophers can really hold the direction of public affairs (More, 1997). Indeed, as Socrates, Plato had faced this dilemma about the suitable way to bring his contribution to the management of the city. Socrates himself used the compelling argument of implicit social contract to justify his decision stay in prison and accept the death penalty, rather than escape and go into exile in another Greek city. Social contract, conceived as the convention of justice, is possible when individuals find that it is their interests to submit themselves to common rules. The rationale of this decision result from the fact they may fear becoming victims or unable to commit injustice with impunity (Plato, 2008).

Besides, in "The Republic", Plato has presented his vision of utopia while conceiving economics as the fairest way to manage property in the ideal city. He defended the idea of a society where a limit is put on wealth and property of each individual and where ownership is reserved only for the lower class of producers in order to preserve the balance of the city and achieve the highest degree of political virtue. For him, the public happiness is achievable only through the principle of equality even if this principle is likely to generate serious problems of free rider behaviors during the process of wealth production and in terms of authority exercise (More, 1997). In the same vein, Aristotle condemned chrematistics viewed as the taste of profit and the accumulation of wealth in a perspective to increase political power. He suggested enhancing agriculture. Further, he criticized the doctrine of justice based on reciprocity as developed by the

Pythagoreans. According to him, there is justice when each individual performs his task not only for his own interest but also for the benefit of the community. Moreover, equity is presented as a superior form of justice made necessary by the generality of laws. Aristotle systematically distinguished "legality and equality" as basis of justice (Saint-Arnaud, 1984). Thus, particular justice, based on equality, was distinguished from legal justice as a part of the whole. It includes distributive justice, based on the merit of each individual, and directive justice which deals with exchanges between individuals. This directive justice is divided into commutative justice, dealing with a freely agreed exchange, and corrective justice addressing clandestine and violent imposed relationships. However, the criterion needed to define each individual merit in a perspective of distributive justice remains political. This raises the issue of social contract and design of optimal political systems.

Further, Aristotle provided a framework to analyze the origin, purpose and functioning of state and political regimes of his time. He tried to identify the ideal system of government, and this system has to be feasible. Thus, the relationship between the quality of democratic political regimes and governance has been questioned by Aristotle through two questions: what is the best government? Who has the right to govern? About that, Hermet et al (2005) wondered whether Aristotle was not a "disturber" of governance" in advance of his time, or simply a hidden comedian, since it is clearly difficult to address these two questions in a consistent manner. Indeed, the first question, technocratic, is largely related to the "management of complex systems" while the second, political and perhaps normative, refers to the legitimating of authority. Hence, these authors considered that, under these conditions, the probability of a frontal contradiction appears unstoppable since the incompetent government is likely to appear as the most legitimate by making people happier before leading them towards the final disaster. The contradiction of democracy justified by the argument of the ignorance of people or their lack of time and taste for public affairs reinforces the tension between governance and democracy. This is why Aristotle, noting that each

form of government is likely to be corrupted, conceived democracy as a corrupt form of the republic. However, these interpretations of Aristotle's conception of the ideal political regime do not give enough importance to the issue of deliberation in political systems. To this regard, Wilson (2011), through the principle of "rule of reason", reminds that the quality of a democratic regime also depends on the character of it widespread internal political deliberation. Hence, this raises the crucial question of what it takes to label a political regime as being enough deliberative in the proper manner. This problem of deliberation is very important in Aristotle's analysis and evaluation of regimes (Wilson, 2011). Indeed, for Aristotle, regime deliberative quality depends on its virtuous activity rather than equality and respect for individual autonomy. Therefore, he considered that the best deliberation framework is one that permits to most or all citizens to participate in political rule. Given the heterogeneity in the skill and expertise of citizens, Aristotle wondered the way in which political institutions and individual practices can combine to produce a suitably deliberative regime. Applying the basic principles of virtue ethics, Aristotle suggested that the quality of political action should be evaluated in terms of the good consequences produced by it. In this perspective, Aristotle's fondness went to monarchy which had to produce sufficient divine virtue needed to improve the life of each citizen (Wilson, 2011).

1.2. The road towards Enlightenment: the sources of political sovereignty and legitimacy reconsidered and the birth of economic liberalism

The history of the concept of "governance" dates back to the thirteenth century when it served as a synonym for the concept "government". At this epoch, these notions meant "the act of driving something" (Giesen, 2006; Hermet et *al.*, 2005; Gaudin, 2002; Graz, 2004a). Further, the governance concept was developed as being the art of government and that of the proper management of public affairs apart from the question of centralized power. The emergence of the modern state from the sixteenth century resulted in a greater use of the notion of government at the cost of that of governance.

During the eighteenth century, the concept of governance reappeared in Germany by taking the meaning of the art of good government which aspires to optimize the resources of the state, to meet the needs of the population, and to serve prosperity (Hermet et *al.*, 2005). Besides, until the Middle Ages, the economic issues were analyzed in terms of religion by theologians thinkers. The Renaissance epoch marked a major turning point in the philosophical, political and economic thinking. The conceptualization of absolute power by Machiavelli (1469-1527) was opposed to the cosmopolitan and humanist approaches of Erasmus (1469-1536) and Thomas More (1478-1535). Machiavelli's approach of political power and legitimacy, based on the idea of absolute sovereignty, was conceived as an emerging political dimension of governance. Indeed in 1513, Machiavelli in his book "The Prince", defended the idea according to which in a well-organized government the State must be rich and citizens poor. For these reasons, Machiavelli is still considered today by some scholars as a cynical thinker without ideals and for whom the end justifies the means. Thus, political success appears as an end for the Prince who must use any mean in order to stabilize his power in a situation open to all kinds of reversals (Katherine and Kochin, 2011). Yet, if the state is not conceived as an end in itself but an instrument for moral end, a serious dilemma can occur since means and moral goals may conflict. This situation is more likely to occur in some weak states where the state is controlled by private interests and rent-seeking actors. This contributes to hinder the government's accountability to its citizens[31].

In this backdrop, economic policies in the Renaissance period were dominated by the mercantilism to the detriment of the physiocracy advocated notably by the humanist approach of Thomas More. In his book Utopia (1516), he expressed his criticisms on the quality of political regimes and the mismanagement of national and international economic systems. For example, he called for modesty in the lifestyle of the state and deplored the ineffectiveness of military spending which negatively affect the public

[31] See "Machiavelli and the Moral Dilemma of Statecraft." *Found on the* Web. 10 Oct. 2011 <http://www.friesian.com/machiav.htm>.

finances at the expense of the needs of citizens. He also criticized the mercantilist policies of governments and advocated for a development of agriculture and industry while denouncing speculation on commodity prices. According to him, these speculations occurred because there is a system of private property exist which leads to monopoly and inequality situations (More, 1997). Hence, he was opposed to the private accumulation conversely to his contemporary Martin Luther (1483-1546) whose positions vis-à-vis the credit and labor are assumed to having stimulated the emergence of capitalism. In addition, More argued that the primary function of a king is to deal with the misery of its citizens instead of worsening theirs situations unlike his contemporary Machiavelli who stressed that the public misery is the best safeguard of the monarchy. For More, a king who does not take care of the prosperity of his citizens should not deserve his title as he should be considered as a prison guard. By this way, More had reconsidered the sources of political legitimacy by linking it to the economic well-being of citizens. Accordingly, in Utopia, Thomas More nurtured the dream of a better society and provided a source of inspiration to revolutionary ideologies. Indeed, as in the famous satirical book "The Praise of Folly (1514)" of his humanist friend Erasmus, More' s utopian approach can become an invitation to challenge established orders and a refusal of resignation in order to induce political change.

A century later, a contractual approach of political legitimacy has been reconsidered by Thomas Hobbes (1588-1679) through his conceptualization of the state of nature and the social contract as the basis of sovereignty. Through the Leviathan (1651), he attempted to reestablish the legitimacy of leaders on something other than religion or tradition. Since he considered the state of nature[32] as the state of the "war of all against all", the human sociability is not by nature, but by accident. This state of nature represents what would be humanity, regardless of any political power or law. For Hobbes, the difference between political regimes (monarchy, aristocracy and democracy) does not

[32] The state of nature should not be understood as describing a historical reality, but as a theoretical fiction. There has perhaps never existed, but it is a fruitful philosophical hypothesis, a construct of the mind that seeks to understand what brings social existence. See Leviathan, Chapter XIII.

consist of a difference in power, but a difference in the capacity or ability to achieve peace and security for people because whatever the political regime, any ruler is likely to be powerful. In the same perspective, Arash (2011) stresses that Hobbesian war usually arises because people are fragile, fearful and they can be shaped psychologically and ideologically. Consequently, managing interstate conflicts requires, in addition to coercive power, a soft power needed to influence the characters of people. For Hobbes, the limits to power come from the inalienable natural rights and from natural laws. In such a situation, civil liberty is to be found in the "silence of the law" since it is the freedom to do what the law does not prohibit. However, the laws themselves are limited by the "natural law" which refers to the freedom and power of each individual (Field, 2011). Thus, in Hobbes's approach, once a sovereign is in place, any of his decisions are legitimate and everyone is obligated to comply. Yet, "this holds at least for as long as the sovereign ensures their protection, as Hobbes believes that the natural right to self-preservation cannot be relinquished" (Peter, 2010)[33].

In the same wave, John Locke (1632 - 1704) set out three fundamental rights: the right to life and start a family, the right to liberty, the right to the enjoyment of property and especially exchange. These rights define an area of inalienability of the human person. However, according to Locke, the limit to the legitimacy of the private ownership resides in the fact that poor people must also be granted with sufficient goods in good quality when they are unable to meet their own needs. This is a duty of charity, an universal requirement deduced from the duty to preserve the mankind, and which underlines the necessity of modesty on the part of individual owner[34]. Thus, through a temperate individualistic liberalism, Locke stressed that political power is rooted in the consent of those over whom authority is exercised while its purpose resides in ensuring respect of the natural rights of everyone. Accordingly, he claimed that people have the right (or obligation) to resist when the power exceeds the limits assigned to it by its

[33] See Peter, Fabienne, "Political Legitimacy", The Stanford Encyclopedia of Philosophy (Summer 2010 Edition), Edward N. Zalta (ed.), http://plato.stanford.edu/archives/sum2010/entries/legitimacy/

[34] See the Chapter V of Locke, J. (1690) Second Treatise on Government

function. The social contract creates a community as sole holder of all powers but for practical reasons they must be delegated to different magistrates in order to avoid power abuses[35]. Hence, contrary to Hobbes's approach, in Locke's one, effective or de facto authority can exist without being legitimate insofar he considered that the social contract does not create authority (Peter, 2010). Indeed, political authority already prevails in the state of nature where is individuals are in a relationship while the social contract is just a transfer of this authority to a particular political body, notably a civil state. Therefore, the concept of legitimacy applies specifically to this case of civil state. According to Locke, the legitimacy of political authority, in the civil state, will be conditioned by the extent of individuals' consent on the transfer of authority. This consent is not required just for the original institutionalization of a political authority but it is also needed for the ongoing evaluation of the performance of a political regime. Thus, Locke conditioned the legitimacy of a political regime to its respect of the constraints of the natural law, and therefore, he considered Hobbes's absolute political authority as being necessarily illegitimate insofar the natural law is suspended in such a regime (Peter, 2010).

Further, Enlightenment's thinkers continued with this contractual approach of political legitimacy based on equality, freedom and citizens' sovereignty as the optimal way to handle the move from the state of nature to civility. These thinkers, through their critical reflections, undertook the task of enlightening "reason" and leading humanity out of arbitrary policy blinded by darkness, superstition, fanatical religions and moral prejudices. Thus, the individual as a thinking subject had rights no longer based on the solely tradition. Indeed, as Locke, Montesquieu (1689-1755) stressed that the main threat to freedom comes from the legislature, as the institution most likely to increase its power. Consequently, he considered intermediary bodies as the guarantors of freedom[36]. Moreover, Jean-Jacques Rousseau (1712 - 1778), who made reflections on the socialization of people, argued that the birth of socialization led to a need for social

[35] See the Chapter IX and XVIII of Locke, J. (1690) Second Treatise on Government
[36] See Montesquieu book « De l'esprit des lois » (1748)

recognition and public esteem, which constitutes the first step towards inequality[37]. In "The Social Contract", Rousseau sought the basis that people can accept legitimate authority without any loss of freedom[38]. He was also strongly opposed to the principle of representative democracy. He preferred a form of participatory democracy because representation involves the creation of a class of representatives necessarily doomed to defend their interests before those of the general will.

According to Immanuel Kant (1724-1804), as for Hobbes, political authority is created by the establishment of political institutions only in the civil state. Yet, unlike Hobbes, Kant did not adopted the voluntary-based assumption of the creation of political authority because he argued that individuals, considered as rational and moral beings, have a moral obligation to form such an institution (Peter, 2010). In this perspective, Kant used the concept of republicanism instead of that of democracy. In his analysis in "Perpetual Peace"[39], he means by "republican" the separation of the executive power (the government) from the legislative power while despotism is their unity. Hence, he argued that republicanism needs representation which ensures that the executive power only enforces the public will through laws made by representatives of the people. For Kant, an elected representative legislator is the best form of a republic and, therefore, the sovereignty of people is only expressed during the election of new representatives. Hence, for Kant, an elected representative legislator is the best form of a republic and, therefore, the sovereignty of people is only expressed during the election of new representatives (Rauscher, 2012)[40]. However, even with the representative system, it is not certain that the preferences of representatives will always reflect that of voters. Indeed, Condorcet (1743-1794) noted the presence of a paradox which proves the impossibility in the plurality voting system to identify with certainty a common desire from a sum of individual wills. From these perspectives, democracy is likely to appear

[37] See Jean-Jacques Rousseau « Discours sur l'origine et les fondements de l'inégalité parmi les hommes »
[38] See « Du Contrat Social ou Principes du droit politique » by Jean-Jacques Rousseau, 1762.
[39] See Kant, Immanuel: Perpetual peace; a philosophical essay, 1795
[40] Rauscher, Frederick, "Kant's Social and Political Philosophy", The Stanford Encyclopedia of Philosophy (Summer 2012 Edition), Edward N. Zalta (ed.), URL = <http://plato.stanford.edu/archives/sum2012/entries/kant-social-political/>.

as a regime ruled by the dictate of the common will against the individual desires, a kind of tyranny of the collective over the individual. To some extent, in democratic regime, everyone wants to be the leader even though it is impossible that everyone can govern. Addressing this issue of egalitarianism, Alexis de Tocqueville (1805-1859) explained that, with the compelling democratic society, the positions are certainly not identical, but they do not crystallize all of the social existence of individuals. Therefore, the rule becomes the upward or downward changes in social status (De Tocqueville, 2004). Besides, He pointed out the existence of a paradox since even the equality of conditions is likely to sustain economic inequalities (an institutionalized inequality based on merit). Indeed, there is a combination of two movements: an egalitarian aspiration from a collective point of view and an inequality aspiration from an individual one. According to Tocqueville, absolute freedom can represent the greatest threat to a democratic society since it could lead to a dictatorship of the majority and the lack of critical distance of the individuals that could be oppressive with respect to the minority. This situation could generate another paradox because democracy may lead to equality without freedom. Subsequently, a solution to overcome this paradox, while respecting these two founding principles of democracy, is the restoration of intermediate institutional bodies (political and civil associations, corporations, etc). By strengthening social ties, these instances may allow the isolated individual to express his freedom and so, to resist abuses of power.

As we will show later in this chapter, the issue of power abuse is still at the heart of contemporary approaches on the governance doctrine. For instance, Karl Popper (1902-1994) addressed the need to build social institutions, imposed by state for the protection of the economically weak and the economically strong[41]. Recognizing only two types of political systems, namely democracy and tyranny, Popper rejected the standard problem from classical philosophers about "who should govern". He proposed to substitute a more pragmatic issue formulated as follows: "are there any forms of

[41] See Karl Popper, "The Open Society and Its Enemies", 1945

government that we must reject on moral grounds?" and "are there any forms of government that allows us to get rid of a government without violence?". Therefore, it will be called democratic, a system in which rulers can be removed by the ruled without bloodshed. Any government in which the removal of officials can only be achieved through violence can be described as tyrannical[42]. Subsequently, Popper rejected direct democracy and proportional voting by preferring representative democracy with majority voting. Indeed, with direct democracy, people are responsible to themselves which is a contradiction since people cannot remove themselves[43].

From another standpoint, most of the current economic dimensions of governance are inherited from approaches developed by some Enlightenment thinkers. For example, David Hume (1711-1776), Adam Smith (1723-1790) and David Ricardo (1772 – 1823) have criticized the mercantilist approach for their interest in the currency and the trade balance. Ricardo, through his law of comparative advantage, was a strong proponent of free trade among countries and of specialization among individuals. Unlike Locke, Hume admitted the principle of private property, not because it is a natural right but because resources are limited and not freely available. Besides, unequal distribution of property did not matter according to him, because perfect equality would impede the propensity of saving and industrialization within a given country[44]. In the same vein, for Smith, the laws of market, coupled with the selfish nature of economic agents, would lead to an unexpected result, namely social harmony[45]. Adam Smith defines the functions of a state as guardian of the public interest (and not the interest of the prince). In addition to sovereign functions (police, army, justice), Smith attributed to the State one last function namely the maintenance of public infrastructures[46]. For these

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[42] See Karl Popper Etat paternaliste ou état minimal - Remarques théoriques et pratiques sur la gestion de l'Etat démocratique.
[43] See Karl Popper "The Lesson of this Century", 1992, ISBN 0-415-12958-3

[44] See David Hume, A Treatise of Human Nature (1739)
[45] The comparison of individual interests naturally leads to competition, and it leads people to produce what society needs. The selfishness of a single individual is detrimental, but the confrontation of self-interests leads to the general interest. See Adam Smith 'The Wealth of Nations"
[46] See Doering D. (1995) Readings In Liberalism. ASI (Research) li. Adam Smith Research Trust

liberal approaches, the concept of market is first and foremost sociological and political. In fact, it serves as an institution of regulation in a context of lack of concordance between the interests of governments (located in a particular territory) and those of private economic actors who are supposed to evolve in a globalized world without borders (Chavagneux, 2001).

Finally to some extent, current global governance debates can also find their roots in the writings of some cosmopolitan philosophers during the Enlightenment period. This is for instance the case of Kant who advocated for a perpetual peace in the world system. According to him, three pre-conditions are necessary to build this perpetual peace: first, the adoption of a republican civil constitution by every states, second, the participation of each state in a union of states and third, the design and respect of cosmopolitan right of universal hospitality (Rauscher, 2012).

For the first condition, Kant used the argument according to which in a republican constitution, states will hesitate before entering to war because "the people who decide whether there will be a war are the same people who would pay the price for the war, both in monetary terms and in flesh and blood" (Rauscher, 2012). Thus, the self-interest of republican states is likely to set out the foundations of pacific worldwide relations. In a non-republican system, rulers will tend to treat their subjects as property and mean instead of ends since their consent is not required to make a declaration of war. This is why Kant considered that an elective representative system is ideal.

For the second condition, Kant advocated the participation of each state in a union of states because the lack of international institutions leads to an anarchy on the international arena. Thus, as individuals do, the states must move out of this state of nature and build a kind of union under a social contract in order to avoid inter-states wars. He argued that the creation of an international political order would be a better way to settle the behavior of states on the international arena. He rejected the model of a worldwide political institution based on a single universal state ruled directly by a single monarch. Hence, he suggested two models: a league of state an a state of state. In

the model of a league of states, a voluntary decision of states to delegate the resolution of international disputes to an international organization. However, this international organization would not have coercive power to enforce its decisions, and the exit of states from this organization would freely depend on their will. Kant's preference went to the model of a state of states in which he advocated a world republic of states where each state joins a federation of states with coercive power.

For the third condition, Kant pleaded a cosmopolitan right of universal hospitality which is however limited to a right to engage in commerce, a right to travel in foreign states and a right of settlement in other lands already inhabited by other peoples only under the condition of uncoerced informed contract. From these principles, Kant criticized the European colonization policies that prevailed during his time. On this subject, Giesen (2010) pointed out that Kant's cosmopolitan law was originally designed to regulate the links between individuals and peoples, not between states because the number of states in the international system of the second half of the eighteenth century was rather limited due to colonialism. Nowadays, the "global village", made possible thanks to communication technologies, is facilitating a certain progress toward an international community of citizens. In such a perspective, a serious violation of rights by one people or state could be seen as an attack against all other peoples (Giesen, 2010).

However, perpetual peace had a meaning as an ideal as Kant admitted. Besides, some idealists, such as David Mitrany and Keynes[47], have insisted on the links between trade and peace. Indeed, people who believe that trade is in their interest are likely to look for more international harmony than power struggles. According to Pagden (1998), Kant would see in the project of global governance the fulfillment of a hidden plan of nature to create a perfect political constitution. Yet, this global governance project have to solve first the issue of legitimacy. Indeed, as stressed by Jürgen Habermas, instead of imposing on everyone a maxim supposed to be a universal law, it would be more legitimate to submit this maxim to all others for the discussion of its claim to

[47] In his book The Economic Consequences of the Treaty of Versailles of 1919

universality (Habermas, 1996; 1999). Accordingly, the source of the decision being not enough to guarantee its legitimacy, the public debate that is deliberative democracy is a principle of legitimacy relayed by the public space. Even though to some extent, one might see in the current governance doctrine an attempt to take into account this issue of legitimate deliberation through its openness to various actors, the balance of power among these heterogeneous stakeholders remains questionable from local to global levels.

2. Modern evolutions: from corporate, good to global governance approaches

The conceptualization of different forms of governance appeared by following a different timetable. First, corporate governance appeared in the 1930s and the early 1970s. The good governance concept was initially introduced by the Trilateral Commission in it 1975 report on the crisis of democracy (Crozier and al., 1975). The notion of governance came back in the early 1980s through political sociology while being confined only to the academic world. Thus, it was the manifestation of advocates of participatory democracy coming from the urban social movements and ideologies of self-management (Hermet et al, 2005). The concept was popularized by major institutions of development assistance, especially the World Bank who come into play from 1989 by requiring good governance to corrupt leaders of poor countries. Since then, the governance concept became a buzzword. The final step in the evolution of the concept is the global governance developed by academics in the analysis of globalization, international regimes and continental integration process.

2.1. The emergence of the corporate governance approach

The rationale of our interest on corporate governance lies in the fact that it contributes to the efficiency of the overall economic system both at national and international level. Corporate governance is related to the balance of power between managers, employees, shareholders, government, etc.. It opens the general problem of redefinition of politics

and accountability in a corporate framework. In this perspective, the potential problem associated with the separation of ownership and control, inherent in modern corporate, is the fundamental motives of corporate governance research (Jensen and Meckling, 1976). At least, this issue dates back to the period of Adam Smith, writing about professional managers in his "Wealth of Nations". He stated that: ''Being the managers of other people's money (rather than their own) . . . it cannot be expected that they should watch over it with the same anxious vigilance'' (Denis, 2001). Moreover, the law of comparative advantage developed by David Ricardo led to the emergence of the phenomenon of outsourcing and fragmentation. Thus, capital goods move freely from country to country while being a source of transmission of the benefit of technological advances across trading countries. This system of outsourcing was developed in a context in which several firms may compete within a country and for a single product, but also in a situation in which two factories of the same firm operating in different may countries compete.

From 1930s, the institutionalist school of Thorstein Veblen gave birth to the school of New Institutional Economics introduced by Ronald Coase in his 1937 article " The nature of the firm" (Coase, 1937). Thus, the concept of governance reappeared in the American context as a continuation of structural changes in the economy that led to the questioning of the Fordist model, the systematic development of subcontracting, and the empowerment of responsibility centers. The corporate governance concept led to revisit the management of firms based on a relationship between the power of shareholders and managers. This implies to identify the type of actors involved in decision making within the company, and how they interact.

Thus, arise some questions such as: can we manage the company other than as the hierarchical model? What new forms of coordination require the empowerment of increasing production units within the firm and in relationships with others? In 1937, Coase stipulated that it is the cooperative relations within the company that eliminate or reduce the transaction costs associated to the acquisition of goods and services outside

the firm (contracts, negotiations, inspections, setting standards for quality, looking for the best price ...). Beyond the narrow framework of internal relations of the firm, the new institutionalism interprets in economic terms the social, political or historical relations. Thus, it followed further the works of Oliver Williamson (in the 1970s) on the structures of corporate governance, and those of Douglass North (in the 1980s) with an interest in public policy in all their amplitude. From this later issue, arose a normative approach of institutions promoted by IOs.

2.2. The steps toward a normative approach: "good" governance in development economics paradigms

In the nineteenth century, the rise of capitalism triggered a period of political reactions and, therefore, some economic doctrines of protectionism and interventionism have emerged advocating an expanded action of the State and a more considerations to historical and sociological context. Yet, the popular emergence of the concept of governance came at a time when neo-liberalism found that the state was too "heavy" and almost "obese". Treatment for weight loss was needed, but also a shift in public management, notably cooperation between public and private (Gaudin, 2002). Hence, the modern use of the concept took effect at the end of 1980s with the World Bank as a precursor. Governance was considered as the most salient explanation of Africa's underdevelopment (World Bank, 1989: 60). Then, the concept came in a more normative way, namely "good governance". Governance was defined as "the manner in which power is exercised in the management of a country's economic and social resources". From this definition, the World Bank has identified 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 Pagden (1998), although the concept of governance is most often linked to the writings on the governability of national States, it is an attempt to find to international relations a new characterization that goes beyond

the mere state actor. For this author, by introducing governance criteria in its operational activities, the Bank seemed to have accepted to lose its political and ideological innocence while evading accusations made by its detractors who repeatedly accused it to develop an “occult” political program inspired by the West and promoted through economic incentives. In 1990s, emerges a deeper reflection on the role of the State as a "regulator", in response to the technocratic vision of the New Public Management. The crisis of the State is not merely “functional” (not only in terms of function overloading and weight of the State apparatus) but it affects even more diverse conditions of public policy production and the legitimacy of public power. Globalization is undermining the Westphalian system and the welfare State model since the end of World War II. Hence, the legal sovereignty of states is challenged by the transfer of powers to supranational authorities (regional and global integration) and sub-national authorities (decentralization). The weakening of the Westphalian model results in a high deficit of public regulation provided by the states without any further regulatory mechanisms. This deficit leads to a serious crisis of governance. But this crisis is expressed simultaneously at home and abroad. With the hegemony of neo-liberalism, the "desertion" of the State has obvious social costs: rising inequality and exclusion. But more importantly, it marks the abandonment of the political field, undermines its legitimacy and thus opens a profound crisis of governance at the national level (Calame, 2003). The World Bank, whose strategy of the 1980s liberalization of countries under structural adjustment provides only some very mixed results on the economic front, began to generate more and more criticisms from the populations and non-governmental organizations. In fact, by focusing its conception of governance and good governance around the key approaches of effectiveness, accountability, participation and transparency, the World Bank was considered as a promoter of a kind of populist program around a technical approach to public affairs, full development of market and respect for private property (Campbell, 2001). In the 1997 edition of its World Development Report (WDR), the World Bank showed its appetency for democracy. Yet, it remained caution about the links between political regimes and economic

development because there is no evidence that a single type of political regime can guarantee economic and social progress (World Bank, 1997).

Gradually, other international organizations (UN agencies, OECD, WTO, IMF, regional multilateral development Banks) follow this doctrine of governance for their policies. For these organizations suffering from some lack of democracy and often taxed to be too technocratic, governance doctrine emerged, to some extent, as a new source of legitimacy. Nevertheless, the neo-liberal bias to good governance, embedded in the prevailing orthodoxy of development economics, is likely to label governance with a false sense of political neutrality (Santiso, 2001). Most IOs' understanding of good governance seems to reflect a concern over the effectiveness of the State rather than the equity of the economic system and the legitimacy of the power structure. Hence, the good governance requirements can be issued abruptly, as an obligation to comply with liberal policies and promoting the role of civil society. But they may also be issued kindly by encouraging countries to work towards good governance in the process of external support. Ultimately, the interplay between political legitimacy and economic efficiency remains at the heart of good governance approaches developed by IOs for their activities in developing countries.

2.3. The need for global governance to face globalization, international interdependency and global public goods provision

The first institutions of global governance have emerged in the early nineteenth century in Europe. In 1815, the Treaty of Vienna led to the creation of the Committee for Inland Navigation on the Rhine. It followed the creation of unions in the health field, telegraph, post office, railway, the labour (1901) and agriculture (1905). The two world wars were marked by the League of Nations which led to the United Nation (UN) and the Bretton Woods institutions at the end of World War II (Graz, 2004a). From a functionalist and neo-functionalist point of view, the emergence of international institutions obeys the logic of specialization, peace, management of increasing globalization and externalities between states and economic sectors. In contrast, according to neo-liberals,

the emergence of international organizations (or international regimes) is driven by strong demand for internationalization and the search for absolute gains (transaction costs reduction, better information, reduction of uncertainties). Neo-realists found that this phenomenon follows the logic of supply of international cooperation through which states seek to maximize their relative gains (power) taking into account the unequal distribution of costs and benefits of cooperation between states. Following other logics, constructivists argue that cooperation between states is guided by social processes, the flow of ideas, norms, value systems and symbolic issues (MacLeod et al, 2008; Graz, 2004a).

After the fall of the Berlin Wall, begun the concept of global governance in 1992 with the publication of the collective work by Czempiel and Rosenau "Governance without government: order and change in World Politics" (Czempiel and Rosenau, 1992). This work was followed in 1995 by the publication of "Our global neighborhood", a report of the United Nations Commission on the global Governance (United Nations, 1995). This concept of global governance leads to rethink the relationship between various economic, social and political mode of interaction based on the principle of relativity of public power at different levels. From local to international, global governance is shaped by an involvement of NGOs, citizens' movements, multinational corporations, the global capital market and media. The importance and multiplicity of global problems (financial instability, trade imbalances, environmental issues ...) coupled with the loss of sovereignty lead to understand the notion of global governance through the way to govern (globalization) without (worldwide) government. How to think a new collective action at international level by dealing with the large number of actors? Hence, the global governance concept seems to give new impetus to international political economy by re-injecting politics on economic thinking. Its emergence at the international level is motivated by the inadequacy of models of International Relations - realist and liberal-institutionalist- to take into account the number and growing influence of non-state actors and implication of technology in globalization era (Weiss, 2000). The main issue is

the articulation of multiple levels of decision. The involved actors have a legal authority or simply an ability to influence. Avoiding the situation of mutual paralysis implies the existence of a (institutional) framework to compare the information and adjust specific rationalities, modes of regulation that can reach compromises and lead to acceptable solutions. This is likely to reduce the problem of collective action for providing public goods from local to international level. Therefore, global governance constitutes, to some extent, an alternative to hegemony[48] in a context of interdependence and need for managing externalities. It is the opposite of any realistic conception of the world as it is used to analyze the phenomena out of the assumption of anarchy. This imposes to think international affairs management as a process of negotiation and interaction between heterogeneous actors (Smouts, 1998). The global governance issue, in a context of the erosion of sovereignty of national democracies and the growing gap between the integration of global markets, the patterns of international political decision, remained fairly wide inter-state and whose legitimacy and effectiveness seem more questionable (Andreani, 2001). Previously, global governance institutions derived their legitimacy from their outputs, but now with the rising challenges of globalization, legitimacy is reconsidered through the procedural considerations[49]. This does not facilitate the task, because of the wide diversity of stakeholders and differences in their interests, values and resources. The result can only be a hybrid of input legitimacy (democratic) and output legitimacy (performance). Furthermore, implicit and informal non-binding standards that are created tend to complexify the problem (Giesen, 2006). Global governance attempts to regulate and control globalization and to mitigate its effects through a system compensating the

[48] In international relations theory, studies of governance are a continuation of studies on international regimes. Yet, the difference that may exist between the concepts of "international regime" and "governance" is that each regime involves a single policy area, while global governance can refer to the general arrangement between the regimes including the hierarchization of schemes in terms of priorities (MacLeod, 2008).

[49] Some factors, such as the heterogeneity of persistent collective preferences (preferences for private or public, preference for redistribution, property rights and foreign exchange policy), the rise of global problems (environment, natural resources, health risks of contamination, nuclear safety , population growth, instability in financial markets ...) and the emergence of a global civic awareness (through NGOs, the Davos Forum, the World Social Forum) or private authorities (credit rating agencies, institutes of technical standards, networks of independent authority) contribute to shape the classical agenda of the multilateral organizations (Jacquet et al, 2002).

loss of the capacity of state's action by concerted action on the international stage. Nevertheless, Giesen (2006) argued that economic globalization is not a force of nature with which we can only deal as its several vectors remain reversible except the technological one. Indeed, for this author, it is not the result of any historical determinism. It exists only by the willingness of political and academic elites of strong states in the world system whose current ideology converges much around this consensus. The emergence in 2009 of the G20 as the pre-eminent global coordinator, in response to the global financial and economic crisis, is witnessing an adjustment of the international system at different speeds. Indeed, there are high inequalities in the access to information and negotiating power across global governance actors and, obviously, there is no independent regulator. Meanwhile, the current architecture does not adequately reflect a global democratic decision-making system where conflicts of interests make this an awkward and challenging process (Killen and Rogerson, 2010).

II. A cross-disciplinary outlook and cleavages in the governance doctrine: definitions, characteristics, theories and dominant ideologies.

As any interdisciplinary approach, the governance concept leads to some difficulties in social sciences analysis. Indeed, the first difficulty arising from its interdisciplinary nature is the diversity of its definitions and methodological conceptions. This section aims to set out some common characteristics subject to a relative consensus among scholars and practitioners. Achieving this objective is essential for the debate on the usefulness, utility and consequences of the governance doctrine in light of international development. In a second step it exposes a brief analysis on the way governance is theoretically conceived in two sister-disciplines[50], namely economics and political sciences.

[50] We limit the analysis on these two disciplines because there are in one hand the major fields of governance debate and in the other hand because this doctoral thesis is conducted under these two areas.

1. An attempt to define the governance concept through its characteristics

Instead of seeking our own definition of the governance concept, we adopt a more holistic approach aiming at exposing the main common characteristics conveying the diversity of conceptions in the governance doctrine. As soon as recognized the interdisciplinary nature of the governance concept, it seems hazardous and inconsistent to seek a single and time-invariant definition of governance. Nevertheless, identifying the thread of these various definitions could be useful and essential for its better understanding and for a development a framework aiming to solve its vagueness and ambiguousness. Indeed, the first confusion comes with the proximity of the governance expression to those of government and governmentability. The concept of governmentability, developed by Michel Foucault[51], is related to an ability to govern and to a particular mode of government exercise. Government gives only partial information on how the politics is regulated, while governance presents two main dimensions: analytical and normative. Governance refers to the art of managing complex systems from local to international level by setting out a framework for heterogeneous and multi-stakeholders participation in the decision-making process and norm production. The diversity of its dimensions provide, to some extent, a convenient blur on the analytical level, notably the focus on the practical challenges of policy making, the pragmatic management of public space while normative approaches seems to be obsessed by the criteria of what should be qualified as "good" or "bad" governance. Even the history of the governance concept already allows guessing its potential variable meanings. Meanwhile, daily use of the word is most often guided by esthetic reasons rather than resulting from a process of reflection (Hermet et *al*, 2005).

1.1. The multiplicity and heterogeneity of actors

The abolition of distinction between public and private becomes more effective with the governance concept. Indeed, the management of public affairs is not significantly

[51] We will expose the Foucault's approach of governmentability in a further section

different from that of private business whereas private authorities emerge and produce standards and regulatory norms likely to be applied to a wide public space (Cutler et al, 1999; Graz, 2001; 2006). The future of the state can be seen from two perspectives. The first one is an erosion of beliefs on the state because people no longer trust in their government (inefficiency, abuse of power, corruption, the end of providence state ...). The second one is a dilution of capacity for action due to increasing interdependences associated to globalization, presence of new non-state actors in international relations and regional integration (Braud, 2007).

1.2. Positional characters

Governance refers to a way to manage complexity in which actors are theoretically deployed on the same plane, horizontally. This contrasts with what happens in the government where actors intervene vertically in a subordinate position vis-à-vis state representatives who hold the top of influence and legitimacy. Furthermore, governance's actors are chosen by co-optation according to their acquired positions and ideological proximity. Moreover, the relative autonomy of governance actors implies to develop a culture of responsibility.

1.3. Governance and norms production process

According to the logic of governance, decisions are no longer the product of a debate or deliberation. They are rather the result of negotiations, bargaining and bartering between stakeholders. Yet, confrontation sometimes takes precedence over negotiation, and thus, it is the reality of power relations that prevail in this case. This does not prevent the fact that these two processes coexist in some situations since the confrontation may be extremely costly for both parties.

1.4. Governance outcome

Basically, governance can be seen as a set of regulations that ensure a long-term survival of a society by allowing it to live sustainably in peace and prosperity. It needs to take

into account ethical considerations necessary to the emergence of the social and political communities on a global scale. As any art, the goal of governance is not to find optimal solution but to achieve suitable and relevant solution. Thus, the art of governance is to achieve maximum cohesion with the greater freedom of initiative, the largest unity with the greatest diversity. Hence, the relationship between governance and democratization is somewhat contradictory. Indeed, the main purpose of governance is to make compatible two conflicting requirements. On the one hand, it aims to increase pluralism, to improve the post-state political action whereas in the other hand, it seeks to clean pluralism by reducing its unnecessary elements harmful to efficiency. While governance seeks to improve performance of management device, democracy pursues ideological purposes.

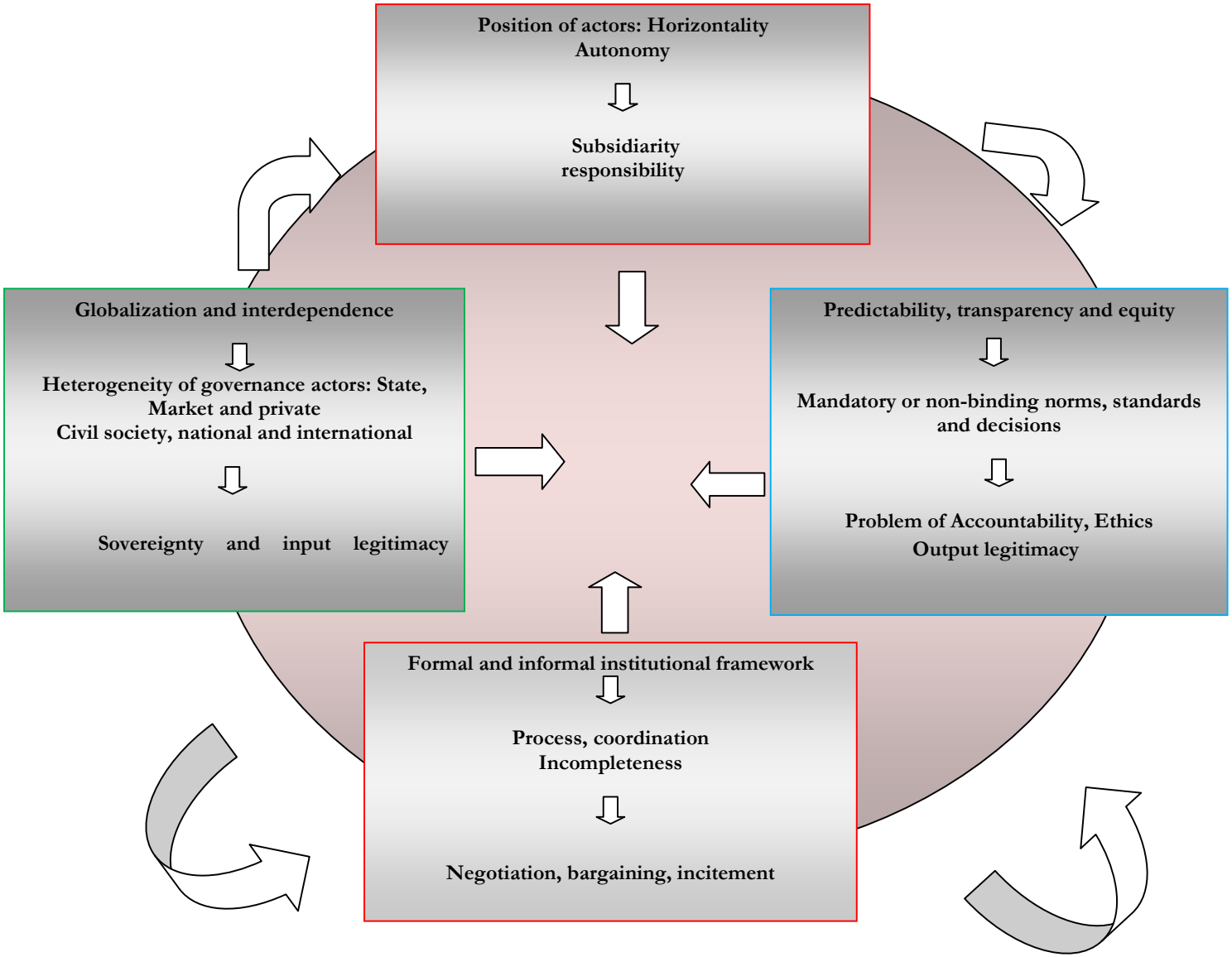
In many definitions of governance, emphasis is put on the capacity of the state, its accountability to citizens and functioning under the rule of law. Yet, the development of accountability, whether international, national, or local, requires an underpinning of information and a transparent system useful to discover and correct abuses of power. Henceforth, effective power should not always be able to bypass some tests of accountability while without it, corruption is likely to escort regularly power. Meanwhile, the development of a rule of law is necessary to set out a predictability of policies as well standards of accountability against which both public and private sector interventions are monitored. This is also necessary to provide a framework for a protection of citizen's rights in their efforts to force accountability from governments (Brautigam, 1991). Finally, rule of law and accountability are critical determinants of legitimacy of political regime as well public perception about the fairness of public policies, credibility of governments and the ethical behavior of elites.

1.5. The commons characteristics between corporate, good and global governance

The figure n°1 portrays the dynamic environment of governance as described above. The general remark is that the multiplicity of sources of power and decision centers causes some similar difficulties for these three levels of governance because

interventions of traditional actors become more problematic. The firms are more and more transnational and have to face various interlocutors in different countries. Governments also have to deal with a multitude of stakeholders both at national and international stages. Hence, their weberian legitimate monopoly of power no longer applies. At the global level, both states and multilateral organizations lost a subsequent part of their power since private authorities are emerging. All these considerations lead to a kind of hybrid governance composed of formal and informal norms which are mandatory or not, and produced by official and unofficial actors. Besides, the principle of "exit, voice and loyalty", proposed by Hirschman (1970), can be applied to these three levels of governance. Indeed, this principle is more likely to explain the behavior of various actors of governance. Thus, the governance concept is a puzzle trying to connect efficiency and legitimacy, short term and long term, power and ethic, local and global, diversity and unity.

Figure n°1: Some characteristics summarizing the environment of governance: the Art of managing complex systems



2. Governance as seen by modern market economists

John Maynard Keynes observed that the "ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than it is commonly understood" (Hall, 1989). Still, these ideas are often in contradiction. The conceptual separation between the field of economics and that of politics was partially motivated by the need to use more scientific methods for economic analysis and thereby to make it free of the subjectivity inherent to political and moral considerations (Chavagneux, 2001). Similarly, one of the reasons of the disciplinary confrontation about the governance doctrine is the competition between its technical and political aspects. The technical dimension is essentially developed in economists' conceptions "obsessed" by the search of efficiency in governance agenda, while the political dimension referring broadly to the issue of legitimacy and exercise of authority is particularly the motor of several political scientists. Some economic approaches tend to lead to illusion that technical solutions are able to figure out all political issues. Thus, politics can be considered as a negative input into policy decision-making, as the politics of self-interest and rent-seeking negatively distorts policy choice (Grindle, 2001). Yet, this conception fails to capture the essence of policy making in the political arena, namely the struggle over ideas and public policy-making in a context of scarce resources allocation. Thus, for these economists, policy is considered essentially as a sphere of rational analysis, whereas politics sphere is that of irrationality. Nevertheless, political reasoning is strategic since political contexts offer both constraints and opportunities for change and one of "arts of politics" consists precisely on taking advantage of the latter and neutralizing the former (Santiso, 2001: 6). Thus, this section analyzes the main thread of economic theories about the issue of governance and the next section is devoted to political science analysis.

2.1. The state versus market in economic analysis[52]

In the typology proposed by Robert Musgrave, three functions are affected to the economic role of the state: the allocation function (production, services), the function

[52] See Crozet (1997) and Mueller (2003) for details on economic analysis of the state.

of distribution (distribution and redistribution of resources according to economic, ethical and political rules) and the stabilizing function (economic regulation vis-à-vis the outside). The direct or public regulation refers to that performed by the state while indirect regulation is operated by the market. Proponents and opponents of these two types of regulations use frequently as argument their respective failures. Indeed, two distinct visions of the state in economic theory can be mentioned here. The individualistic approach of the state, considering that the utility of the state is equal to the sum of individual utilities in the nation, is challenged by the organic approach which considers that the state has its own utility function, namely the public interest which is not equal to the sum of individual utilities. Therefore, in the macroeconomic or organic vision, the state is a complex social entity, whose aims and purposes are above those of its components. This vision is attached to methodological holism according to which the state becomes the only reality and individuals exist only by and in the state. Conversely, in the microeconomic or individualistic vision, the state is seen as a set of individuals with their own interests and rationality. This vision is linked to methodological individualism. The state institution is a means by which economic agents pursue their interest in a different way from that offered by the market because people are fundamentally economic actors. The state has no purpose other than those of its individual members and is not a centre of autonomous decisions. The decisions of the state are ultimately the collective decisions of individuals. The consequences of this polarization of the conception of the state lead to the award of two main roles for the state: the search of the general interest and enable individuals to pursue their personal interests under certain conditions. This is in line with Adam Smith's minimalist state or a contractual state of Hobbes, Locke and Rousseau. Most IOs opted for this individualistic vision of the state developed by neoclassical theories[53], notably by the public choice school (Virginia School with Buchanan, Tullock, Mueller, Mancur..). This School developed three influential theories: the theory of political market, the economic theory of bureaucracy and the theory of "rent seeking". Accordingly they prefer imperfect

[53] The Marginalist Revolution in the 1870s, through the three high schools (Cambridge, Lausanne and Vienna with authors such as Marshall, Walras, Jevons, Menger, Pareto and later Schumpeter, Hayek...) estimates that the state intervention in the economy blocks the achievement of balance and optimality. It is like putting an elephant in a porcelain shop!!.

market to the excesses of public interventions that masks individual preferences in the discourse of the public interest.

The theory of political market is an application of economic analysis to the explanation of political phenomena (monopoly, competition, information costs are use to analyze the political and bureaucratic behaviors). From this perspective, politicians and bureaucrats appear as economic agents trying to satisfy their own interests. The electoral rationale in politics is then equivalent to profit maximizing rationale for industry. Thanks to selfish behavior and maximizing agents (politicians, bureaucrats, voters), the rigidities of political market are assumed to disappear. However, the naivety of most political economy models is to consider that once established political democracy, active citizenship will accompany spontaneously. This is not always the case and even, often, it is quite the opposite because political market is also subjected to imperfections (asymmetric information, ignorance and weakness of politicians, uninformed voters, lobbies and pressure groups ...). Thus, political corruption may increase with the game of democracy. Indeed, funds coming from the political corruption are often used to buy the voices of less politically active voters and those only motivated by short-term gains (Cartier-Bresson, 2008).

In the same vein, the theory of bureaucracy argues that some behaviors of bureaucrats induce bias in the allocation of resources, which condemns the intervention of the state. The objective of the bureaucrat is the search of conditions for the maximization of his utility by maximizing the size of the bureaucracy. The bureaucrat will act in the direction of the collective interests if the constraints he faces are such that his own self-interest coincides with the social interest. Three types of reforms are then proposed for obtaining a synchronization between personal and social interest: the intra and inter-government competition with the private sector, the reduction of information asymmetry and decentralization of public services.

The theory of rent seeking considers that the state, once beyond its minimum size, is no longer neutral and will be responsible for the development of rent-seeking behavior. The state will suffer from the influence of pressure groups. Political leaders

and officials (suppliers) seek to maximize their chances for reelection or to get their future jobs while the business leaders (demanders) seek to protect themselves from the competition. In this context, government intervention leads to distortions. These liberal theories of state brought the roots for a set of liberal reforms proposed by some IOs. These reforms packages are well-known as the "Washington consensus" labeled by John Williamson in 1989 for the reforms in Latin America. Yet, proponents and critics seem to agree with the fact that policies implemented under the banner of the Washington Consensus have not produced the desired results. Rodrik (2006) argued that the debate now is not over whether the Washington Consensus is dead or alive but over what will replace it. Through the emergence of the good governance concept, suggestion is made to move beyond the controversy "state versus market" failures by adopting a pragmatic approach to development. This emergence can be linked to the crisis of competing paradigms of development theories for a half century. These theories fail to provide a satisfactory explanation of the "real" world as they have mainly adopted a mono-oriented explanation of underdevelopment (Dioubaté, 2008). Thus, governance becomes the cornerstone of the revival of the political economy of development based on new economic, institutional and social interrelationships and considerations. It allows bypassing state vertical planning and the anarchy of the market.

Even though many people in developing countries demand good governance as an end, Khan (2008) argued that theory supporting the good governance agenda, as promoted by IOs, is dominated by market-promoting governance strategy to the detriment of growth-enhancing governance strategy. While seeking to make markets more efficient by reducing transaction costs in developing countries, still, good governance agenda has to face structural problems that prevent significant implementation and success in reforms even with the best political will. Indeed, dealing with these structural bottlenecks needs to take into account growth-enhancing governance capabilities that allow developing countries to cope with the property right instability of early development, manage technological catching up, and maintain political stability in a context of endemic and structural weak political legitimacy. As example, East Asian states have often had weak performances in

terms of the market-enhancing governance conditions. It is even likely that effective growth-enhancing governance capabilities can create the preconditions for achieving good governance and greater market efficiency over time (Khan, 2008).

Moreover, the governance doctrine deals with the redefinition of relationship between state, private sector and civil society. However, from the neo-conservative perspective, the tendency seems to be, now, a speech for a rehabilitation of the state (Sindzingre, 2006). This return is rooted in the safe withdrawal of nation states in the distrust of some of them with international institutions. After a period in which the logic of governance seemed to be a substitute for the legitimacy of government, particularly in supranational spaces, there is a refocusing of the place occupied by states. This leads to some decline in the promotion given to civil society at the beginning of the governance concept[54].

2.2. Transaction costs, institutional economics and governance[55]

The rationalist approaches to governance conceive it as a mechanism for minimizing transactions costs and attenuating opportunistic behaviors. Most of these literatures have their genesis in the work of Berle and Means in 1932, who articulated the problems posed for modern organizations by the separation of ownership from control (Berle and Means, 1932). Two institutionalist economists, Coase (Nobel Prize in 1991) and Williamson (Nobel Prize in 2009), showed that the firms arbitrate between the costs of organization and those of transaction. Contrary to the postulate of neoclassical economics, institutionalist economists consider that transaction costs exist (search for information, write a contract ...). These economists stress that, when transaction costs are positive, the distribution of political power within a country and the structure of its institutions of rule-making is a critical factor in economic development. Therefore, in its broadest sense, governance refers to the various institutions (structures and procedures) that can support these transactions. An interdisciplinary mix of economics with other social sciences and history,

[54] Indeed, the fall of communism and increasing globalization replaced the US hegemony by a double tripolarization of the world in a perspective of global governance (USA, China, Europe or developed countries, emerging countries, peripheral countries).
[55] See Sindzingre (2006) for a large literature review on institutions and development.

institutional economics attempts to extend neoclassical price theory by tracing the evolution of institutions (norms, rules, values, and patterns of behavior) that affect the performance of economic and political systems. Instead of getting the "prices right", they propose to get "institutions right first". Thorstein Veblen, considered as the founder of the institutionalist approach, argued that technical progress is an essential element of growth, which operates on a cumulative basis and is accompanied by institutional changes. In the same vein, Joseph Schumpeter considered the development of capitalism as an evolutionary process while John K. Galbraith insisted on the consideration of history since economics is primarily a social science (Sindzingre, 2006). The approach of new institutional economics is functionalist as it considers the emergence of institutions and institutional change as ways to minimize transaction costs, uncertainty, to internalize externalities and to exploit the benefits of cooperative behavior. For instance, Douglass North defines institutions as formal and informal "rules of the game" and constraints built in order to structure human interactions (North, 1990). The historical dynamics of transaction costs is assumed to explain the institutional change. However, dynamics and functions of institutions remain subject to some theoretical confusion due to circular and tautological characters (Sindzingre, 2006). For instance, institutions can be defined as a set of property rights but also as instruments for the protection of these rights. In this perspective, the work of Elinor Ostrom (Nobel Prize in 2009) helped to understand the specificity of developing countries. She explored the concept of "common pool resources" and problems of cooperation, coordination, standards and institutions involved in the maintenance and exploitation of these resources. The problems of common resources are crucial dilemmas that all social groups and collective actions have to face, namely the "tragedy of commons".

Adopting other arguments, current neo-Keynesian and heterodox economics remind that a focus on institutions should not clear the role of the state as an engine for development. This is particularly relevant in fields of industrial policies, regulation, securing property rights and enforcement of conventions[56]. Among others, Stiglitz's

[56] Notably in France with the so-called regulation school, around the work of Robert Boyer, and the economy of conventions under the leadership of Olivier Favereau, among others. They emphasize the role of trust, moral

works[57] on imperfections and information asymmetries and theories of market failures called to restore a vital role to the state. This role could be defined in terms of correcting these failures, building the institutional foundations of an economy, providing macroeconomic stability, fiscal discipline, and maintaining a legal and contractual framework that allows predictability and reliability. Besides, in many developing countries the state functions of public goods provision and correction of externalities and market failures seem to be disqualified as these states are often strongly associated with corruption and bureaucracies driven by self-interest and weak credibility in their commitments. Concerning this last point, Finn Kydland and Edward Prescott showed that the effect of expectations can lead to time inconsistencies which affect the credibility of public policy and the political feasibility of reforms (Kydland and Prescott, 1977). Subsequently, there is a need for the independence of institutions or a delegation to supranational bodies as a guarantor of economic policy credibility. This raises some questions about the feasibility of independent institutions (for example central banks) in developing countries, where institutions are often poorly consolidated and permeable to the influence of politicians. Reforms may be subjected to further credibility problems because they are induced by external pressure, notably those of the international organizations (Sindzingre, 2006). The "new political economy", inspired by the Public Choice School, now assumes that rent seeking and corruption are harmful for development after a period of theoretical hesitation in the literature. Indeed, corruption has been seen by some authors as allowing the introduction of "oil in the wheels" of inefficient institutions[58]. In the same perspective, Brinkerhoff and Goldsmith (2005) argued that governance institutions are neither bad nor good in themselves because outcomes are what matter. Therefore, replacing bad institutions with good ones may possibly produce worse outcomes for some societies. Rose-Ackerman (1999) and others point out that the optimal amount of graft and bribery is

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attitudes, reciprocity, norms and conventions as mechanisms to promote cooperative behavior (less opportunistic) in interactions between individuals or organizations.

[57] This rehabilitation of the role of the state in developing countries was illustrated in World Bank 1997 World Development Report undertaken when Stiglitz was appointed as a Chief economist/Vice President of the World Bank.

[58] However, always putting oil on the wheels can lead to forget that these are often outdated and should be changed.

not zero, given that society incurs a cost to prevent it[59]. Bhagwati (2001) made a distinction between "rent-creating corruption" and "profit-sharing corruption", which may help explaining anomalies in some world regions. In his view, the latter type gives insiders and well-placed individuals a stake in economic efficiency and development and is then tolerable. What matters for growth is much more the use of rents, including those supported by corruption, than the existence of rents since it can be recycled in local investments and not dry out as domestic resources. In contrast, in some developing and transition economies, governments and administrations can also be fully "captured" by various private interest groups, with the result that all the institutional and legal framework is primarily designed to protect their interest. From the contracts and agency theory perspective, public officials may be vulnerable to the influence of private interest if state's institutions of control and checks and balances are inefficient. This situation is likely to arise because these officials are agents with multiple "principals", which leads to a dilution of incentives and multiple objectives.

Finally, since we can recognize that the first virtue of institutions is to increase the certainty, we should also admit that increasing transactions costs can be a valuable feature of some institutions. For instance, increasing the transaction costs of non-membership or participation to the provision of public goods might be necessary to ensure the cooperation of many actors. This supposes to consider that institutions have other rationales beyond economic efficiency, for example, power matters, political stability and peace. As recalled by Snidal (1996), a pure economic reasoning would propose that, in absence of transactions costs, there would be no institutions while only the "invisible hand" will lead economic behavior to a happy equilibrium. Consequently, governance reforms have to take into account these trade-offs and should concentrate on the most harmful bad institutions[60].

[59] For example foreign development aid can also be conceived as a rent by some corrupt recipient governments but the Samaritan dilemma, among other factors, make difficult any donor's decision to stop their aid.
[60] For example, clear rules and fair-play are central to democratic decision making; however, this does not imply that all procedures for taking public decisions must be strictly codified to be democratic.

3. Governance approaches in political science: public, political and global governance

Political science is by essence a discipline intimately linked to governance doctrine because the issue of power and the exercise of authority (who gets what, when, how) are at the heart of its analysis. This section presents what can be considered as a debate on the governance doctrine in three subfields of political science namely administrative science, political sociology and international relations. These subfields deal respectively with the issue of public governance, political governance and global governance.

3.1. Public governance within administrative science[61]

Administrative science is not at all left on the governance doctrine. The relative inability of public administrations and states, in the achievement of goals fixed by political decisions, appears as a rationale for administrative science to be engaged in governance debates (Mehde, 2006). Since, with the governance concept, new actors are henceforth integrating the public decision-making framework, government and administrative bodies have to share their monopoly of legitimate public power. These new actors, such as those coming from civil society and private sector, are not in a vertical or hierarchical posture, so that their interactions with state apparatus matter for negotiation. This empowerment of extra-administrative actors is supposed to improve the public decisions, notably the efficiency of public service delivery. Yet, as in any situation of complex structures of decision-making, the issue of accountability becomes more problematic. Indeed, the increase of actors raises the problem of transparency and imputation in the case of underperformance. As pointed out by Mehde (2006) the advent of governance, through the association of new actors, brings some ideological prospects on new public management (NPM). For instance, it might be interpreted by critical analysts as a new way for politicians and bureaucrats to divert responsibility for insufficient public services through a distribution of responsibility for potential shortcomings. The end of the welfare state

[61] See Mehde (2006) and Olowu (2002) for details on this issue.

deeply affects this openness of the state to other actors. Meanwhile, the promotion of Public-Private Partnerships (PPP) initiatives is a way for the state to stimulate private sector to fill the gap in the supply of public goods. The governance agenda, as set out by some IOs was mainly based on the public administration reform and collaborations with market institutions. This technical approach was motivated by a willingness of these multilateral institutions to operate under a respect of their political neutrality imposed by their articles of agreement. Once the importance of public administration is admitted in most developing countries, it appears that success of governance reforms in these countries is intrinsically related to a well understanding of the political economy underlying the functioning of these administrations. This will depend on the fact that one considers these public administrations as a basic tool controlled by politicians (or even controlled by private interests) or if we perceived them as autonomous actors with their own political and economic rationales and having a genuine power to achieve them (Olowu, 2002).

3.2. Political governance within political sociology theories: governmentality, accountability and legitimacy.

Political sociology, as a subfield of political science, is mainly interested in the political dimension of governance through the socialization of political regimes. In fact, the issues of power, authority, accountability and legitimacy are at the heart of this discipline (Braud, 2007). Concerning the exercise of power, Foucault (1989) analyzed the factors explaining the key shifts since the Hobessian approach built on the "reason of state" during the 16th century. According to him, the main factor having led to the shift in the conceptualization of government remains a rise of population which was henceforth more considered as the end of government rather than as a sovereign power. Population becomes the subject of needs and aspirations, but it becomes also the object in the hands of government while intensifying the structures of sovereignty (Ezzamel and Reed, 2008). As a result, governance is an exercise in government power taking into account the knowledge about the effective management of increasing populations. This rise in populations entails new

problems in terms of political, legal and public accountability where subordinates exercise their discretion and are supposed to be able to punish rulers abusing their power under a rule of law (Brautigam, 1991). Political accountability refers to the relative ability of ruled to choose, punish or replace rulers in case of failure in the fulfillment of their mandates (Brautigam, 1991; Lonsdale 1986). Hence, this supposes the existence of rule of law and transparent information allowing citizen's actions. In turn, public accountability concerns feedbacks and controls on public service delivery whereas legal accountability lies on citizens' ability to hold public agencies and civil servants legally responsible for their actions[62].

Besides, accountability depends also on the extent to which some social norms are shared by rulers, which reinforces enforcement and compliance. Whereas some authors stress that political accountability depends widely on ability of civil society[63] to curb the state hegemony, others argue that, in a perspective of accountability for economic performance, a state may insulate itself from particular interests (rent-seekers, specific interest groups…). The East Asian experience is often taken as an example in this argumentation. These controversial debates on the relation between legitimacy, accountability and economic performance crucially depend on the institutional strength of states. Indeed, weak and fragile states may have as primary purpose their survival. Moreover, separating the state from the private sector accumulation can contribute to set out a separate economic arena necessary, in turn, to enforce government accountability (Bratton, 1989). Subsequently, it appears that failures of accountability might deeply impede legitimacy. Legitimacy can be conceived as the ability of a political system, in a given society, to generate and sustain the belief that existing political institutions and procedures are the most appropriate ones. Hence, political legitimacy appears as a virtue of political institutions and of the decisions made within them (Peter, 2010). This conception is the descriptive one proposed by Max Weber who interpreted legitimacy in terms of

[62] Since the ruler does not live up to the responsibilities inherent in his title, he was not really a ruler (Brautigam, 1991).

[63] Classical conceptions of civil society from Hegel (who introduced the term), to Gramsci who saw civil society as the "ideological instruments (churches, schools, trade unions)" of the state, and de Tocqueville, who saw civil society as "the ultimate guarantee that the state will be unable to arrogate to itself any more power than an active citizenry is willing to grant" (Michael Bratton, 1989).

people's beliefs and faith about political authority and political obligations. He distinguished three main sources of legitimacy: a long time tradition, the charisma of rulers and the legality or the rationality of the rule of law. Conversely, the normative concept of political legitimacy refers to some benchmark of acceptability or justification of political power, authority and obligation. In this normative approach, the legitimacy of an authority does not result from the fact that people believe in its legitimacy, but because this authority can be justified in terms of their beliefs (Peter, 2010). Hence, the sources of political legitimacy reside in the consent of those being governed, the utility and morality requirements and the public reason and democratic approval. Following this logic, John Rawls stressed that "political power is legitimate only when it is exercised in accordance with a constitution (written or unwritten) the essentials of which all citizens, as reasonable and rational, can endorse in the light of their common human reason" (Rawls, 2001: 41). As a result, the legitimacy of democratic decisions is contingent to both procedural values and the substantive quality of the outcomes that these deliberative decision-making procedures produce. Further, some political institutions may be effective in terms of de facto authorities without being legitimate whereas others may be unjust but legitimate. Indeed, political legitimacy is likely to be satisfied more easily than justice, which concerns broadly social and economic considerations (Peter, 2010).

Besides, the efficiency of governments depends partially on the level of their legitimacy insofar a greater efficiency results from the promotion of voluntary compliance with laws and regulations rather than from reliance on coercion, threats, fear, and personal loyalties[64]. Indeed, ruling without legitimacy corresponds to exercise power instead of authority. A good functioning and prosperity of society required the fulfillment of duties and responsibilities inherent in social roles. The crisis of governance in developing countries can be mainly explained by the weak legitimacy of governments which is expressed in terms of ability and willingness to fulfill their roles in the way of a ruler (Brautigam, 1991).

[64] "Citizens respect the procedures and institutions of legitimate governments even if they may not respect particular actors. While constitutional legitimacy depends on formal law to support accountability, traditional legitimacy depends on social pressures as much as on codified rules" (Brautigam, 1991).

3.3. Global governance within International Relations (IR) theories

3.3.1. State and multilateral institutions in IR analysis[65]

According to the classical definition of Max Weber, the state is an institution with a monopoly of the legitimate use of force. The state is then conceived as an institutional structure seeking to ensure the perpetuation of a social group. It has exceptional resources to do it, especially regarding the use of force. For a long time, the state was considered as the main actor in international relations, given its ability to use force in last instance to impose its will. The realist[66] tradition sees the main objective of the state as the survival of the community it represents. This implies that the state follows a purely instrumental rationality to defend itself. Moreover, given the potential risks for survival, it must decide on a coldly calculated fashion free of social considerations. Only the maximization of power becomes then a viable goal. Conversely, neo-realism tends to focus on relative earnings through the principle of security and prevention of increase of neighbor's power. For neo-realists, what is happening within a state is independent of its behavior on the international scene. Neo-realists and realists converge around the conception of the state as the principal actor in the anarchic international system, and the separation between political, economic and social arena (MacLeod et al., 2008).

Hence, a shift toward an instrumental rationality can dissocialize the state because this supposes that a state's behavior in the international arena is not related to the extent of its social, institutional and cultural construction. Therefore, in general, the criticisms of realism can be interpreted as seeking to re-socialize the state. The constructivist[67] approach in international relations, emerged in the late 1980s, examines the importance of inter-subjective relations in the constitution of state dynamics. Against the idea of disembodied rationality, it is interested in the sense

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[65] This sub-section is indebted to MacLeod and al (2008) book on International relations theories and concepts. See also David Baldwin (1993) and Snidal (1996) for more details.

[66] The first debate between realists and idealists was based on the balance between reason and power.

[67] Constructivism is a sociological branch of international relations with Oran Young, Nicholas Onuf and Alexander Wendt as pioneers. According to constructivists in international relations, ideas, values and norms have only to the extent that they are indeed intersubjective. In general, constructivist approaches differ from traditional approaches in IR through a greater consideration of history and context, which raises the question of "how" rather than "why" (Wendt, 1992; 1999; MacLeod and al, 2008).

that states attribute to the behavior of other actors. Indeed, constructivists reject the assumption that state decisions are based on pure power relations. Functionalism and neo-functionalism, led by Mitrany and Haas, consider that the nation-state is inadequate to cope with the increased interdependence of the modern world as it is increasingly ineffective in the consideration of economic and social issues.

Functionalism proposes initially a separation of economic and political problems, an achievement of international cooperation in technical fields (agriculture, health, transport ...) and a transfer of habits of cooperation in these areas to a political sphere. The technical cooperation between states can be extended to more political fields. Indeed, citizens recognize mutual dependences implying to transfer their loyalty and to develop a sense of political obligation to supranational institutions. Nonetheless, the reality shows rather a politicization of economic and social problems that can be felt even among technically oriented organizations and the hypothesis about changing attitudes of citizens remains problematic according to behavioralist theories (MacLeod et al., 2008).

Besides, the phenomenon of institutionalization in IR was developed by positivist approaches within the neo-liberal institutionalism. This was the case of Robert Keohane who focuses on the role of institutions in facilitating international cooperation by changing states' motivation and calculation of expected profits. This theory is valid only if states have interests that are not fundamentally opposed and if they see the benefits of cooperation. By increasing the amount of information available on member states, international institutions facilitate the monitoring of theirs behaviors. This situation reduces the risks of abandonment and allows states to anticipate and guard against possible violations.

Realists define international institutions as a set of rules that stipulate the ways in which states should cooperate and compete while considering this as a reflection of the distribution of power. Constructivists consider that IOs have their own wills that are independent of the sum of the wills of member states. These organizations are primarily a place of socialization of states. Through a production and institutionalization of norms, IOs would be able to shape states behavior by

legitimizing certain practices and de-legitimizing others[68] (Finnemore, 1993; Young, 1979). Furthermore, there are various interactions between activities of several international institutions. These actions may be conflicting or duplicated in absence of substantial efforts in terms of coordination. For example, the World Bank and IMF are often at odds especially with regard to economic conditionality to be applied to developing countries in structural reforms whereas their respective policies can be found inconsistent with the WTO on issues of trade liberalization. Moreover, WTO, WHO, ILO and UNEP have to solve problems related to inconsistencies about trade standards, health, labor and environment. The WHO and the WTO have recently had disagreements over the production of essential medicines, especially those used for fighting against HIV/AIDS. Indeed, competition between international institutions can be essentially explained by the fact that they have not clear and straightforward tasks. This situation is rooted onto the rationale guiding their creation, notably the need to address issues of externalities between countries and implementation of collective action subject to free rider problem.

3.3.2. Global governance analysis in IR

Global governance analysis is mainly developed in the field of international political economy as a continuation of hegemony and international regime approaches. While globalization makes obsolete the concept of sovereignty as it was known, hegemonic state must be able to reach consensus on its actions, justify its existence, produce and maintain international order. Indeed, this international order can be assimilated to an international public good which is often produced through an international regime headed by an international institution (MacLeod, 2008). Gramscian or neo-marxist theories show that hegemony refers to a form of power that is not as pure domination, as it also means the exercise of intellectual, moral, cultural

[68] International governmental organizations (IGOs), as a specific form of international institution, contribute to the legitimization of behavior by the collective decision-making. They exert a control function that can take many forms, moral pressure to economic sanctions or military. It is a place for exchange of information and helps in that the definition of collective problems. The normative function of the OIG follows from the definition of rules of behavior that contribute to the emergence of international law.

and ideological leadership. This leadership claims to represent universal interest which extends interstate system and explains consent and participation of subordinate groups. Indeed, hegemonic structures legitimize political and national order, and, thereby, they create universal standards and establish mechanisms and institutions used to set out legal rules as well the behaviors of states and transnational actors (Cox, 1987; 2002; Bieler and Morton, 2004).

From another perspective, an international regime is traditionally defined as a set of explicit or implicit principles, norms, rules and decision-making procedures around which actors' expectations converge in a given area of international relations (Krasner, 1983). The regime theory aims at understanding the birth of international institutions but also it allows to understand how and why states cooperate in some fields of international relations in absence of hegemony (Snidal, 1996). Cooperation between states arises from their rationality and externalities associated to their increasing interdependence (Keohane, 1984). Since any enforcement mechanism must be itself enforced, international regimes theories do not succeed to solve this problem in the case of the provision of international public goods. Furthermore, it appears that most cooperation problems mix efficiency and distribution concerns. This entails the debate aiming to know if states pursue primarily power or economic wealth through their international politics (Snidal, 1996).

From these theories of hegemony and international regimes emerged two conceptions of goals of global governance (Jacquet et al, 2002: 64). The first conception suggests that global governance must be based on stable rules serving to coordinate the actions of states and economic agents. Ideally, these rules must be fairly clear and universal. In this design, the role of IOs would be limited to intervene only in case of market failures. Conversely, the second conception of global governance presupposes the existence of common goals, such as economic, peace or environment issues. Thus, states define common goals and should solve the problem of collective action related to their interdependence. In this case, IOs have a further irreducible political character.

Furthermore, two classical models of institutional forms of global governance can be considered. The first one concerns the establishment of a world government, a kind of federation of states. This model is criticized for its utopianism and because there is a lack of worldwide citizenship. As argued by Habermas (1996), the idea of a cosmopolitan community is limited to the field of human rights and it is challenged by the ability to respond to most serious violations. The interpretation of Kelsenian international law shows that states remain central to the system through controls of the extent and validity of national orders (Andreani, 2001). This first model implies to adopt Hobbes' solution of constructing common international government or Kant's solution of states federation. However, international anarchy differs from Hobbesian anarchy among men in several key ways (Snidal, 1996). First, nation states are better buffered and, consequently, less fearful than individuals in the state of nature. So, they can risk cooperation to a greater extent. Second, states have already solved some of key internal cooperation problems (for example public goods provision) that require common government. Subsequently, there is less need for international governance.

The second conventional model is based on an institutionalized cooperative of nations, developed notably during the post-world war through the United Nations framework including its specialized bodies. This actual model is criticized for its inability to manage global problems and its relative weak legitimacy related to the issue of weighting of vote in decision-making. However, Buchanan (2003) disagreed with the idea that the inequality among states is the source of a legitimacy deficit in the process of global governance. Thus, he argued that an equality of weight in international institutions is not necessary. As quoted by Peter (2010), Buchanan stressed that the major issue of legitimacy for global governance is related to the fact that "a technocratic elite, lacking in democratic accountability to individuals and non-state groups, is playing an increasingly powerful role in a system of regional and global governance" (Buchanan, 2003: 289). Similarly, Rawls (1999) wondered about a feasibility of democracy at the international level and, therefore, a building of an effective international legitimacy remains somewhat utopian. Yet, ruling without legitimacy entails normative problems but also practical consequences insofar the

effectiveness of IOs will partially depend on their legitimacy (Buchanan and Keohane, 2006).

Henceforth, three emerging models can be found in the literature: the network of independent authorities, law without a state, and private regulation (Jacquet et al, 2002). The network of independent authorities can undertake policies related to effectiveness and which do not induce changes in income distribution. For policies involving redistribution, institutions from the majority processes are more suitable. The second emerging model of global governance is the law without state through a mode of governance based on international jurisprudence. This is the case of the WTO's operating mode of the Dispute Settlement Body. Nonetheless, this model has limitations due to a problem of sanctions against failing states in terms of public international law. The third emerging pattern of global governance is private authorities of regulation in absence of public regulation. This mode of regulation can be illustrated by the case of Internet, accounting standards, rating agencies, and it relies on reputation effects to ensure their effectiveness. Since none of these models provides complete and satisfactory foundations for a pattern of global governance, it is then conceivable that global governance can be built in a hybrid setting combining various principles of different models. For this purpose, some principles should be carefully taken into account, such as political responsibility, transparency and democratization, equity and fairness, subsidiarity and solidarity. Indeed, the diversity of actors in global governance leads to a mix that combines legitimacy of input (players democratically elected) and legitimacy of output (performance). This heterogeneity of actors leads to a second problem related to the production of non-mandatory standards (Giesen, 2006).

Moreover, huge asymmetries characterize the relationship between various global governance actors. The first asymmetry concerns the establishment of agendas. Most often, only the agenda of rich and powerful countries is effectively considered even though it appears blatant that the world has become, for the best or for the worse, a common home. Yet, the nature of power remains unchanged, and states will have further periods to be the reference unit in international relations. For instance, the

least developed countries (LDCs), without substantial real negotiation and enforcement power, are suffering from some international economic and political orders. This hinders their gains from trading internationally while generating a climate of uncertainty unfavorable to investment decisions (Guillaumont and Guillaumont-Jeanneney, 2002: 273). Ultimately, the dilemma of articulation and coordination between different levels of governance, from local to global, involves conciliating unity with diversity, cohesion with autonomy, freedom with solidarity. According to Pierre Calame (2003), the active subsidiarity principle allows to solve this dilemma by replacing the principle of "competence sharing" by that of "shared competence"[69]. Indeed, the idea that there are always specific problems in each governance level and that the entire solution may be at one level seems at all illusory. The art of governance is not to arbitrate between these dualities but to simultaneously produce maximum of each of them. As stressed by Habermas (1999), combining fairness, justice, responsibility and discussion will allow setting out solid ethical foundation of democratic and legitimate governance.

III. The mainstream research agendas on the governance doctrine

This section aim at presenting the agenda of researches developed around the governance doctrine both in economics and political science. On the one hand, we present research about different forms of governance (corporate, public, political and global governance) and the political economy of an emergence of good governance in developing countries. On the other hand, we present the debate on the effects of governance on socio-economic development.

1. Corporate governance

Research on corporate governance is mainly based on the classical principal-agent problem in the relationship between firm managers and shareholders. This research also deals with the management of transaction costs in terms of internalization or outsourcing. In 1932, Adolph Berle and Gardiner Means considered the corporation

[69] This implies to treat a problem at a superior level only when the inferior level is not able to deal with it.

as an untenable form of organization. Indeed, managers' and shareholders' interests can conflict and this needs strategies that allow increasing the likelihood that management acts in the interests of shareholders (Berle and Means, 1932). For instance, this can consist to bond them contractually to do so. In addition, a system of monitoring and incentives is necessary to convince managers that it is in their own interest to do so (Denis, 2001). Meanwhile, Pagano and Volpin (2005) remarked large differences in the degree of protection of corporate investors across countries. These differences depend on the ownership structure of firms, the political process, economic interests and the structure of law system which is historical at the origin. Accordingly, La Porta et al (2008) show that shareholders' protection is more significant in countries operating under the common law. Nevertheless, the theoretical foundations of the superiority of common law over civil law are not subject to consensus and it raises serious discussions about the formulation of business law reforms. Indeed, even European countries also have their colonial origins, notably in Egyptian, Greek or Roman Empire, but their institutions and legal systems have evolved. The main question remains "when and why do politicians choose to change the laws on business?" It is usual to consider that substantial institutional changes are likely to result from significant shocks (for example wars and disasters) which weaken the elite sufficiently to interrupt its control of the state. Political economy models tried to answer this question by formalizing the behavior of voters and politicians following their economic interest and their ideology. Thus, investors will seek to influence the electoral process in order to gain better protection. Yet, political outcome crucially depends on whether the electoral system is proportional or majoritarian. Pagano and Volpin (2005) found that the system of proportional representation produces a low shareholder protection and strong protection of employees while the majority system produces the opposite by protecting investors[70]. In the same vein, Shleifer and Vishny (1997) suggest that the

[70] The explanation is that proportional system leads politicians to address the preferences of social groups showing consistency in their preferences, such as entrepreneurs and employees. This reflects the fact that this electoral rule can attract a larger mass of voters when they belong to homogeneous constituencies, through a change in the political party platform. Conversely, in a majoritarian system, there is competition for the votes of enthusiastic pivotal districts which are needed to ensure victory. These are swing districts where the residual groups are not ideologically committed contrary to the dominant districts. This lack of ideological commitment makes the residual groups neglected in the proportional system while there are courted in the majority system.

most fundamental determinants of how a firm's corporate governance system develops are the extent to which the legal system protects its investors and the extent to which there are large investors in the firm. In a world increasingly characterized by incomplete contracts and multiple sources of power, long-term organizational design and employee motivation should be a fundamental concern to firms. In many countries, these issues have to face further conservatism and *status quo* related to a concentration of corporate governance in the hands of a few wealthy families (La Porta *et al.,* 1999).

2. Public and political governance: the determinants of good governance emergence and sustainability

2.1. Emergence and sustainability of institutions

Adopting the logic of political economy implies to consider political institutions as being essentially endogenous. However, several empirical studies argue that political institutions are "predetermined" or given by history, and therefore exogenous. Indeed, one could admit that the primary objectives of a government and a constitution are to ensure favorable economic conditions for those holding political power. Subsequently, the form of government should be seen as a secondary feature serving the same objective (Acemoglu, 2005). Hence, institutions can be inefficient because they serve distributive purposes and even a strictly Pareto-improving alternative will likely be blocked by groups that fear a subsequent redistribution able to worsen their position. Institutions may also serve purposes of power and control rather than efficiency. As a result, the outcome looks inefficient from the perspective of those being controlled but efficient from different and broader perspective (Snidal, 1996). In fact, institutions result in long-term interactions among different social groups, namely elite, middle and poorer groups (Devarajan et al, 2011; Acemoglu et al, 2001, 2005). Since these social groups have different endowments, bargaining and competition powers, the prevailing institutions are likely to serve only a fraction of the society. This situation is likely to sustain inequalities and generates weak public service provision and governance trap which are harmful to economic development. The resulting political economy consists of bargains for rent sharing between

competing elites, and between political and economic elites. In mature consolidated democracies, credible political commitment to respect interests of each group is provided through institutions that guarantee rule of law and protect businesses and individuals from opportunistic behaviors. Even in authoritarian societies, some redistribution is necessary to subordinate groups in order to avoid social uprising. The ability of citizens to undertake collective actions, in the process of claiming their common interests, condition government's incentives to pursue public policies for public interest. Thus, political parties and civil society represent the main tools for citizen collective action both in non-democracies and democracies (Acemoglu and Robinson, 2006; Keefer, 2011; Devarajan et al, 2011). It remains that political institutions do not simply determine the extent of redistribution or who benefit from policy today. They also play the role of regulating the future allocation of *de jure* political power[71]. Indeed, *de facto* political power is transitory by nature due to a dynamic world with uncertainty that creates a demand for change in political institutions. Yet, in many contexts, informal institutions shape even more strongly political behavior and outcomes than formal rules. Formal and informal institutions can be often complementary, accommodating, competing, and substitutive (Helmke and Levitsky, 2004). Accordingly, the puzzle remaining to solve in good governance research is to identify the main determinants of its emergence and sustainability as well as to understand the dynamic relationship between these determinants. This supposes to take into account both the incentives and capacities of different stakeholders in the building process of good governance institutions. To some extent, the existing literature fails to respond effectively to the central question that practitioners must address when they search the best ways and timing to move towards better governance. For example, how to induce secure property rights, greater voice and accountability, or more efficient and honest bureaucracy in a particular country context, given a scarcity of resources, knowledge, human or organizational capacities. The conditions under which politicians support or demand high performance from the bureaucracy and demonstrate incentives to secure

[71] Acemoglu and Robinson (2006) remind that the primary source of political power, considered as de facto political power, is simply what a group can do to another group and the society at large by using force like in the hobbesian state of nature. Since the owners of de facto political power could reasonably think that it is possible to lose this power in the future, they will try to convert it into de jure political power through an institutionalization.

property rights, make a credible commitment, promote transparency, voice and accountability, remain the core issue of the source of good governance (Keefer, 2004; Evans, 1995; Evans and Ranch, 1999; Grindle, 2007; Rodrik, 2006). The roles of political checks and balances, polarization and social capital or wealth inequality are stressed in the literature as the sources of secure property rights. Concerning voice and accountability, we can remark that there is much talk of citizen participation whereas, often, participation is not a real dialogue. This situation impedes rulers' legitimacy and may ultimately undermine stability. Indeed, legitimacy in democratic systems is made as if the legality of the exercise of power, that is to say its compliance with laws, was sufficient to ensure legitimacy. However, legitimacy is a much more subjective and refers to the feeling of the population that the political and administrative power is exercised by "good" people, according to "good" practices rooted in the principle of least constraint.

Henceforth, various solutions have been considered for the birth or acquisition of good institutions. Some studies suggest the emigration of individuals toward areas where there are already efficient institutions. Others claim the importation and implementation of efficient institutional systems where there are found to be lacking. This supposes to rely on an institutional form of Darwinism: the right institutions hunt the bad; it is just a matter of time. Siller (2011) investigated this question of how social institutions, that enable a society to overcome social dilemmas and tragedy of the commons, can emerge in the first place. In the case where institutions are the result of intentional design of individuals[72] seeking solutions to their shared problems, free-riding problems remain the most problematic issue to deal with. Solving these issues will lead individuals to act differently than they would do in the absence of the institution in question. This arises even though it is possible that some individuals will likely face weak incentives to engage in establishing dilemma-solving institutions. This is likely because these institutions are

[72] The state as a social contract based-institution is an example of this first approach. However, the social contract explanation of institutional origins suppose that individuals are fully aware that they are in fact facing a particular problem and they possess sufficient knowledge to analyze the nature of their shared problem, as well as to design an institution capable of solving it while being able to overcome the collective action problem inherent in institution-building (Siller, 2011).

susceptible to oblige them to act against their own current behavioral preferences (Siller, 2011). A second approach in the literature conceives institutions in an evolutionary perspective. They are considered as social artifacts that have come into existence through a number of processes that take place whether individuals are aware of them or not. In such setting, historical and cultural path-dependencies, competitive pressures, random experimentation, imitation are factors among others that are likely to shape the emergence and change of institutions (Siller, 2011). Other strands of this literature focused on the strength and the nature of civil society as an important vector for the emergence and consolidation of best institutions. Considering the specific case of democratic institutions, Acemoglu and Robinson (2006) argued that, when civil society is better organized in young democracies, coups will be easier to resist, more costly to undertake and less likely to succeed. In the same perspective, macroeconomic or natural shocks and political crises increase the likelihood of democratizations because they make easier the collective action. Yet, they also reduce the consolidation of young democracies by facilitating the coups of opponents to democracy. Another factor is the source of the elite's income because those getting their income from land rents are likely to be against democratization compared to capitalists. Moreover, greater inter-groups inequality might contribute to democratization by making the revolution more attractive to the citizens. Nonetheless, this relationship is not monotonous insofar in greater equal society, citizens are already benefiting from the productive resources of the economy. So, they do not make further strong demands while in greater unequal society the elite is likely to use repression against any demand for redistribution and democracy. Therefore, by limiting the amount of policy change induced by democracy, a large middle class may act like a buffer between the elite and citizens. This is done by simultaneously making democratization more attractive than repression for the elite, and by changing policy enough that citizens are not ready to revolt. The last but not least factor of democracy emergence and consolidation, according to Acemoglu and Robinson (2006), is globalization. For instance, the international financial integration makes harder to tax elites, as they can easily take their money out of a country. This reduces the extent to which democracy can pursue populist and highly majoritarian

policies. Hence, elite feels more secure about democratic politics and, therefore, this may discourage them from using repression to prevent a democratic transition. In addition, the increasing political integration and the end of the cold war[73] might imply that countries that repress their citizens can perhaps expect stronger sanctions and reactions from the democratic world. This effectively increases the cost of repression, but the reaction of the international community depends deeply on the geostrategic position of the country in question as well as on the extent of media coverage. To some extent, the recent Arab Spring witnessed these considerations.

2.2. The specific role of civil society

In principle, the activities of civil society are not motivated by the quest for public office or the profit motive. It can combine a multitude of different actors, including academic institutions, professional forums, advocacy organizations of consumers, development cooperation initiatives, movements for environmental protection, ethnic pressure groups, defenders of human rights, labor, humanitarian organizations, peace organizations, philanthropic, professional organizations, think tanks, women's networks, youth movements. The diversity of actors of civil society is also accompanied by a diversity in their decision-making processes and their modes of action. The expansion of transnational civil society has been promoted, among others, by the development of Internet and communication technologies. The legitimacy of actions of civil society can be judged by the criteria of moral legitimacy (defending a noble cause), efficiency, democracy (popular participation in strengthening global governance) and social cohesion. The test of legality is not the subject of consensus because it depends on the legitimacy of the government granting official recognition. Indeed, several questions remain on the true objectives of these civil society groups insofar some of them might even work against the diffusion of freedom and the process of a democratic consolidation (Jacquet et al, 2002; Monga, 2009).

[73] To some extent, the end of the cold war seems to be replaced by the war against international terrorism since some repressive regimes do not hesitate to justify their actions by the need to neutralize nebulous groups.

The term “civil society” appeared, in a first time, in the writings of Thomas Aquinas, and followed a gradual detachment from the concept of state. It was theorized and formalized through the writings of Hegel, Tocqueville and current neo-liberal thinking. Civil society is conceived as the range of associations "self" and "voluntarily formed," acting in the public sphere as intermediaries between the state and the private sphere. This definition establishes the modern concept of civil society in the West. Civil society appears as the result of free choice and personal commitment. In order to avoid a search of self interests, self-organized civil societies have to be balanced and ordered by the state (Braton, 1989; Lewis, 2002; Roy, 2008).

The work of Alexis de Tocqueville has been quite influential and used to support arguments in favor of civil society. It is considered as a protection against the domination of society by state, and as a counterbalance which helped to keep state accountable and effective (Putnam, 2000; Lewis, 2002; Monga, 2009). For Antonio Gramsci, civil society is the arena, separate from state and market, in which ideological hegemony is contested. Indeed, civil society contains various kinds of organizations with different ideologies challenging the existing order (Lewis, 2002). Accordingly, the detractors of this concept could see in the local civil society promotion by IOs as a strategy of strengthening and dissemination of neo-liberal hegemony. Civil society is also characterized at international level by a growing protest movement against hegemonic policies as it is the case with the World Social Forum. Kantian tradition views the nature and role of civil society through a creation of a global audience necessary for the creation of a "cosmopolitan democracy" (Perret, 2003). Meanwhile, this conception suffer from the lack of consideration of conflicts of interests and power relations that divide the international civil society and makes problematic the principle of an ideal community rights. While rejecting arguments that the concept has little meaning outside its Western origins, Lewis (2002) analyzed its increase as being rooted in the universal negotiation between citizens, states and markets. This happens notably through its export by Western development donors seeking to build good governance. Hence, different understandings of this concept as well as its sensitivity to different history, culture and economy, make difficult its valuation in terms of policy purposes.

Sometimes, the puzzling relationship between state and civil society can be seen as the tool of a political strategy to legitimize political authority. The myth of civil society becomes then a part of the illusion of a democratic power. It presents itself as an alternative form of a democratic representation, marked by a discourse of morality in the public arena and able to remove the political controversy in favor of a more consensual logic. Civil society appears as a place of socialization, and it can cause consent, but also potentially give rise to a revolutionary dynamic. Civil society's effectiveness is likely to be related to the effectiveness of sanctioning mechanisms within the state through effective independent institutions of accountability (legislature, judiciary, auditing). More broadly, political accountability failures are intimately linked to the general structure of balance of power and specifically to asymmetric information about the real performance of public policies. In addition, it also depends on the lack of coordinated collective action among citizens, which is necessary for the assessment of these policies (Devarajan et al, 2011).

Accordingly, civil society action is thought to be a prerequisite for good governance, as well as an indicator for it since political accountability is supposed to depend in part on the ability of civil society to curb the hegemony of the state (Roy, 2008). People who live beyond the reach of the state in developing countries are likely inclined to be preoccupied with economic survival and have little time or enthusiasm for politics unless they realize that survival is increasingly difficult to achieve alone (Braton, 1989). In an economic perspective, civil society can improve strong social capital (such as trust, norms, and networks) which facilitates coordinated actions needed in the process of wealth creation (Monga, 2009).

2.3. External actors and the dilemma in building good governance in fragile States

2.3.1. Political economy of governance in fragile states

Gunnar Myrdal (1968) introduced the idea of "soft states" versus "hard states" in analyzing the context of south Asia drama. The hard state sets priorities and carries them out while norms and practices keep bureaucrats and politicians separate.

Conversely, the soft state finds officials regularly circumventing laws and regulations (Lankester, 2004). The degree of state strength is likely to influence the development of accountability. Indeed, weak states have a high probability to be characterized by low accountability and legitimacy while struggling for survival. In fact, the process of authority centralization and institutionalization is not yet effectively achieved in weak states whereas the struggle to do so generate some politicization of the bureaucracy, state capture and a lack of effectiveness, accountability, and control (Roy, 2008). Subsequently, addressing the context of post-colonial states, Michael Bratton (1989) argued that once the leaders in these countries claimed their right to rule on the basis of promises of improved material welfare, a loss of distributive capacity is predictably met with a reduction in popular legitimacy. Accordingly, non-compliance and disregard of the rule of law, corruption, civil conflict as well as poor economic performance are the manifestations of this low accountability and legitimacy (Roberts, 2008). Furthermore, even a weak state can seem to be strong in a context of a political space characterized by few intermediate organizations (civil society, autonomous private sector...) between the family and the state. Since the modern state, in these environments, has alien roots because having been introduced from abroad as the coercive and legal instrument of European colonial rule, the development of independent economic power becomes fearful for government officials in a perspective of accountability (Braton, 1989). Hence, in presence of strong institutions, people hold the power to punish politicians by voting them out of power whereas, in weak institutions contexts, politicians are likely to pursue clientelistic policies that punish citizens who fail to support them. Indeed, using the principle of incentives and punishments adequately, notably through bribes to pivotal groups or ethnic divisions, the divide-and-rule strategy exploits the fragility of social cooperation in weakly institutionalized contexts. Therefore, leaders frequently build a kleptocratic regime in which they will be able to plunder and steal the resources of citizens, including those supporting them, even though their political survival depends on them (Acemoglu, 2006).

2.3.2. The puzzling role of international actors: building sound governance in developing counties.

In a context of globalization characterized by increasing power of international firms as well as the hegemonic influences of developed countries on the global governance institutions, both economic and political environments in developing countries are deeply shaped by these external actors (Peet, 2003). As a consequence, the role of international actors, such as bilateral and multilateral donors, is puzzling in terms of good governance building, particularly in fragile states since they are stakeholders of the politics environment in these countries. Indeed, they can both contribute to improve governance quality as well as contribute to worsen it in these countries. Nonetheless, this depends on the category of the recipient country where they intervene. The distinction between failed states, post-conflict states and transitional states may be useful even though these categories can overlap. Fragile states contain 14% of the world's population while representing roughly 30% of people living on less than $1 a day (DFID, 2005). The state fragility analysis is mainly related to international assistance policies in terms of aid allocation rules. This is, for instance the case for the World Bank who used the striking notion of the "Low Income Countries Under Stress (LICUS)". These states are lacking will and/or capacity to provide basic needs of people. However, these states may be subject to vulnerability at macroeconomic level, that involves some expositions to exogenous shocks. In the case of economic vulnerability that bring the issue of the capacity to cope with the shocks, or in other words, on the resilience while in the case of the structural vulnerability that depends only on factors beyond the present will of the country (Guillaumont and Guillaumont Jeanneney, 2009). Even though it is recognized that foreign aid policies in fragile states pose difficult policy dilemmas, notably short term humanitarian policies against chronically long term policies, donors have to calculate and find balance between the risk of action and the risk of inaction. Indeed, these countries are more likely to become unstable and destabilize their neighbors, but they can also be sources of refugee flows, disease proliferation and bases for terrorists (DFID, 2005; World Bank, 2011). Hence, a distinction between the reform context, the reform arena and the reform process is crucial (World Bank, 2008). The

reform context takes into account country's socio-economic, political, cultural and historical characteristics as well as the development aid architecture, whereas the reform arena refers to the political economy underpinning stakeholders' behavior within the sector in question. More importantly, the reform process considers change and timing through coalition building, participation, transparency, communication. If these principles are not taken into account, governance reforms may face some "stop and go" or even regress over time. In the same prospect, it is blatant that different governance reforms are integrally interconnected, such as legal, economic, political and social reforms. Since states lack resources and capabilities to simultaneously tackle all problems, it remains the discussion concerning the proper sequencing of reforms. Like any seller, the governance promotion industry naturally emphasizes on the supply side to the detriment of the demand side. Then, there is a need to move from promoting artificial consensus and substance-based approach to embracing diversity and process-based approach (Peerenboom, 2009).

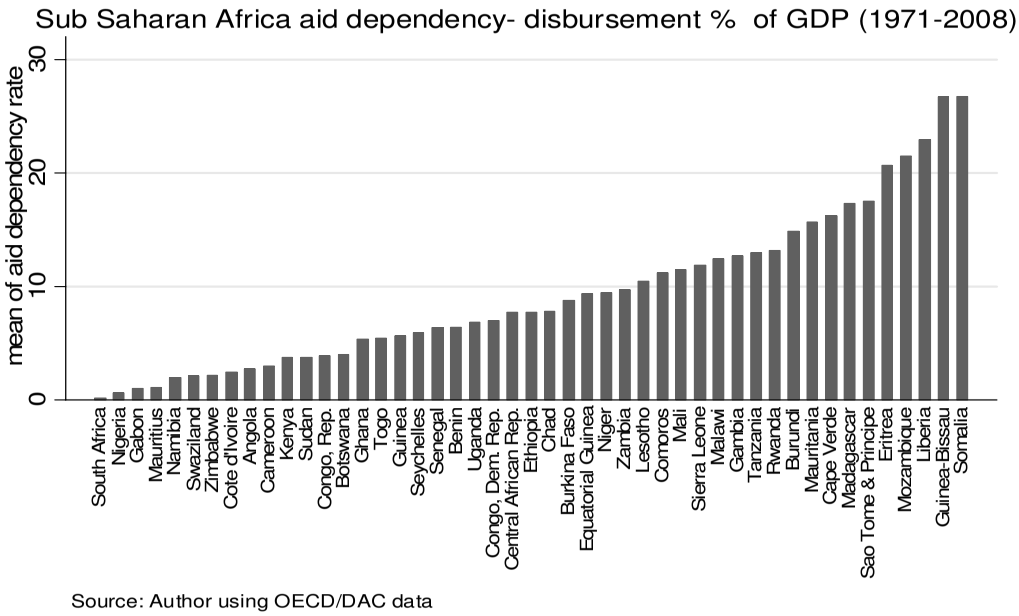
While considering particular dimensions of governance, such as accountability, two effects of foreign aid can be notified. As accountability depends, in part, on transparency and information available to people for undertaking a benchmarking of government performances, donors can help to achieve this goal by financing these tasks. Moreover, external donors can support civil society to tackle accountability problems in recipient countries (Devarajann and al, 2011; Brautigam, 1992). This implies to support existing domestic initiatives and pressures for change. Nevertheless, foreign aid can often generate distortions within recipient countries, particularly in case of a large amount in aid-dependent countries badly governed, which is the case for many African countries (see figures 2 below). In these situations, even some civil society organizations may be engaged in rent-seeking. In the same vein, foreign aid in these aid-dependant countries would reduce the need for national governments to raise taxes locally in order to fund their governmental programs while facing less domestic pressures to be accountable, as there is not a need to negotiate with their citizens over taxation (Brautigam, 1992). In addition, these governments are not forced to seek more revenue from other economic sources

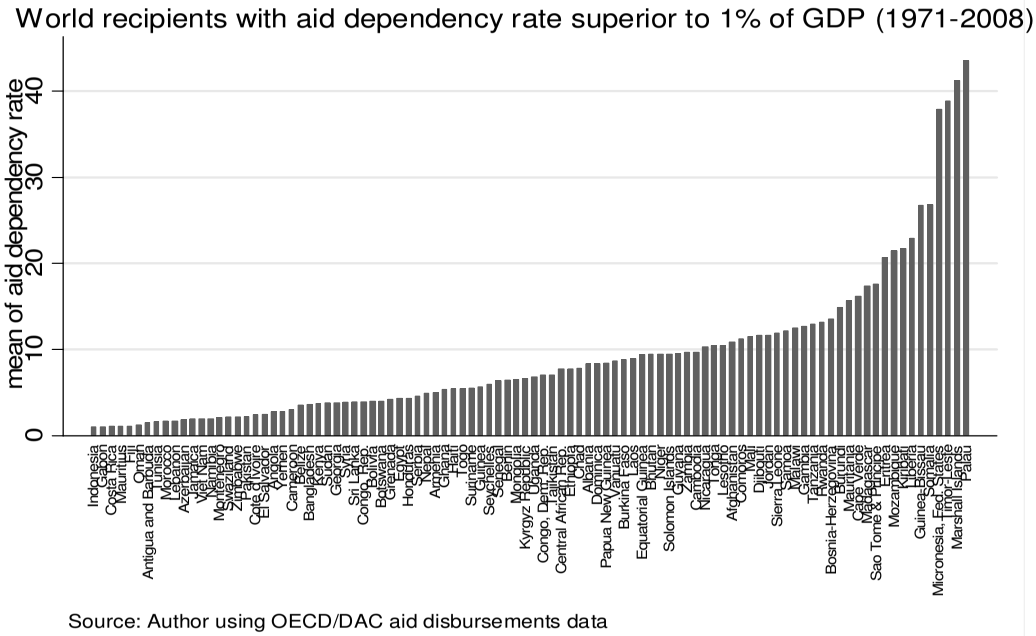
even though foreign aid was originally designed to fill critical savings and skills shortages.

To some extent, multilateral organizations received a mandate from bilateral donors in order to undertake technical reforms necessary for good governance. This can be a way for bilateral donors to avoid being in a posture of lessons givers to colleague governments in recipient countries. So, they can pursue bilaterally their selfish interests as well as recipient need. Since governance is fundamentally a political matter, and considering the political neutrality of multilateral organizations, it is somehow blatant that one would not expect a greater probability of success in the implementation of the governance agenda. Even, a more cynical view would rather wonder if the agenda of governance is not a compromise made to authoritarian regimes, enabling multilateral organization to manage the sensitivities of these regimes while maintaining contact with them[74].

[74] All these elements demonstrate the complexity of multilateral organizations engagement in developing countries since they have to navigate around political waves despite the apolitical nature of their mandate.

Figures 2: Aid dependency: average values over the period 1971-2008.





3. Governance and development: a review

3.1. Political institutions and economic development

Studies at cross-countries level, seeking to assess the effects of good governance on economic performance, are challenged by the causality issue as the eternal struggle of "the egg and the chicken". There are also affected by measurement errors,

missing-variable considerations and conceptual vagueness (Rodrik, 2006). As consequence, policy prescriptions in terms of investment in governance-enhancing reforms suffer from some shyness in their persuasion power.

Knowing whether democracy promotes development is one of the oldest and controversial debates in political economy. About that, different schools emerged among which the conflict school stressing that economic growth is likely to be hindered by democracy, notably in less developed countries, by creating consumption pressures, distributional conflicts and inhibiting capital accumulation (Rodrik, 2006; Keefer, 2011). The cases of some East Asian countries are taken by this school as evidence that good-for-growth dictatorships could create the right conditions for growth through political order and social control. For them, this is a signal that democratic institutions are essential neither to persuade political decision makers to pursue growth nor to convince investors that they will not be expropriate (Keefer, 2011). Yet, some authors disagree with this reasoning by arguing that there is no evidence to support the claim that democracy needs to be sacrificed in the name of economic development. Indeed, the East Asian miracle should be interpreted in terms of institutions versus policies (Przeworski et al., 2000). This is the view of the optimist school that focus on the existence of civil liberties and political rights as channels through which democracy enhance growth while the skeptical school claims that there is no systematic relationship between democracy and economic development (Rodrik, 2006). Although democracy is a desirable goal in the long run, formally democratic institutions are likely to have different effects in different settings while they are not always the best way to improved provision of public goods. For instance, elections in poorer developing countries can lead to more clientelism instead of better provision of public goods. The pro-growth character or not of a specific political regime depends on the political economy environment as well as the leadership factor. Thus, how differences in political institutions translate into differences of policies and economic outcomes? Persson and Tabellini (2000) found that presidential and majoritarian systems have smaller governments than parliamentary and proportional representation systems. Majoritarian systems also appear to have smaller welfare state spending and budget deficits whereas

parliamentary systems have more persistent fiscal outcomes than countries with a presidential system. Some predictions of political business cycle models show that proportional representations are likely to generate a greater expansion in welfare spending during the proximity of elections (Acemoglu, 2005).

3.2. The effects of governance components on economic development

For practical policies matters, a broad definition of institutions appears as a "black box" and does not offer a real guidance for governance reforms. Indeed, it will be useful to know which specific dimensions of economic and political institutions matter for which outcomes.

3.2.1. Property rights

One of the most notable consensuses on the leading role of a specific governance dimension concerns a good definition, allocation and protection of property rights. If these conditions are filled, it result in a reduction of uncertainty related to transactions, and thereby this increases the incentives of entrepreneurs to make investments needed for economic growth. Investors are less likely to invest when they fear confiscation of their assets by government (Keefer, 2004). A well functioning of property rights suppose the existence of low transaction costs and exclusion, secure contracts, competitive and efficient market. While the governance literature focused mainly on the security of property rights, notably through expropriation, changes of tax law and interpretations of existing regulation, the issue of property rights allocation remains weakly investigated. Indeed, it plays a crucial role in political and economic transitions contexts such as the move from central planning to market economy. Whereas the transition to democracy may insecure property rights through redistributions, in equilibrium, further change is unlikely. This situation can be explained by the fact that reforming a political system entails also some losses related to the costs of change, and those of maintaining new systems. The China puzzle in the link between property rights and economic growth can be understood through the banner of property right allocation rather than their security (Rodrik, et al., 2002).

3.2.2. Rule of law and predictability

The uncertainties affecting economic space are worsened in cases of serious capriciousness or instability surrounding either the way policies are made or by whom they are made (Brautigam, 1992). A legal system is required to enhance predictability of government policies while protecting legal and property rights. The rule of law increases predictability and provides more credibility to government actions. In fact, only credible governments can comfort investors that their assets are safe from expropriation. Yet, the difficulty is to assess the degree of credibility. While credibility can be considered as an asymmetric risk that emerges whenever economic actors undertake illiquid investments, unpredictability does not change the average or expected policy, but raises the potential policies that could emerge in the future (Keefer, 2004). At a practical level, this implies to conduct surveys on perceptions of economic actors about the "predictability of decision-making". However, this approach is limited by endogeneity problems related to perception data. Hence, if predictability is supposed to have a modest effect on economic outcomes, rule of law indirectly appears as essential for the long run economic growth through its effects on other governance dimension such as property rights.

3.2.3. Bureaucratic efficiency and honesty

Since Max Weber conceptualization of modern bureaucracy, several studies were interested in its roles for economic growth process (Evans, 1995; Evans and Ranch, 1999). The debate concerns the potential independent effect of bureaucracy on economic development. This is related to corruption of officials but also depends on the assumption on ideal character of government policies and spending allocation. As argued by Keefer (2004), bureaucracy effect on growth depends on what bureaucracies are doing, but also on the extent of control over what bureaucracies are doing. Indeed, some authors, like Leff (1964), stressed that corruption could be beneficial if it allows citizens to circumvent welfare-reducing laws and regulations. Thereby, they assume that bureaucracies do not have any influence on the composition of the regulations that they execute. However, other authors relied on the assumption that bureaucracies enjoy significant discretionary authority and they

could exploit information and other advantages to act in independent manner (notably by increasing red tape for bribes) and even in opposition to objectives of their political superiors (Kaufmann and Wei, 1999). From an analysis of delegation system, rather the mainstream literature seems to attribute to politicians behaviors the observed effects of corruption and bureaucratic inefficiency on economic outcomes (Keefer, 2004).

3.2.4. Transparency and accountability

The relationship between accountability and economic performance is controversial. On the one hand, it seems consistent that when citizens are unable to voice or sanction governments that ignore them, there is little hope that they will pursue policies that promote social welfare. On the other hand, it is not systematic that accountability guarantees social justice and economic development as witnessed by some East Asian countries like Korea, Taiwan, Singapore. Indeed, these governments were accountable to their people for economic performance through efficient allocation of scarce resources, which, in turn, increases their legitimacy (Brautigam, 1992). This debate should not exist if one could have unique measurement of accountability, which is not the case insofar difference can be put on political, public and legal accountability, as we discussed above. The role of checks and balances institutions such as civil society, judiciary structures, or media for the promotion of transparency and public awareness will remain crucial for judging the effect of accountability on economic development.

IV. Governance doctrine: a critical appraisal

The great enthusiasm towards governance concept cannot spare it from criticisms valuated proportionally to its success. As summarized in Table 1 below, the most common criticisms are methodological. In its broad definition, governance seems to deal virtually with all issues of the public life and, thereby, it is losing its heuristic scope. Criticisms are also ideological because the governance doctrine is often accused to be a kind of "Trojan horse" for liberal doctrines. This leads to skip power

relations issues by promoting private management tools (Ezzamel and Reed, 2008; Ndiaye, 2008).

1. Criticisms on methodological and operational aspects: use and abuse of governance indicators.

1.1. Distinction between de jure and de facto indicators: input, outcome and process

Rules-based indicators assess the presence of formal institutions such as legislation on specific governance-related issues such as corruption in a given country. They can also measure whether, in practice, laws regarding specific governance issues are enforced or undermined by political interference (Kaufmann and Kraay, 2008). Some examples of this kind of indicators are: the Doing Business project reporting detailed information on the legal and regulatory environment worldwide (from the World Bank), the Database of Political Institutions (from the World Bank), the POLITY-IV database (from the University of Maryland), the Global Integrity Index (from Global Integrity). One of the main virtues of these indicators is their clarity which offers possibilities to evaluate the progress made. Besides, these advantages are mixed by some limitations related to a subjective judgment involved in codifying the existence of some governance dimension. In addition, the links from such indicators to outcomes of interest can be subject to long lags and other complexities. Another significant limitation concerns the substantial gaps between statutory laws on the books and their implementation in practice. Therefore, they need to be used in conjunction with *de facto* or outcome-based indicators of governance such as those provided by the Open Budget Index (from International Budget Partnership), the Public Expenditure and Financial Accountability Indicators (from PEFA/World Bank) and the Investment Climate Assessments (from the World Bank). By directly capturing the views of relevant stakeholders, outcome-based governance indicators supply information on the *de facto* outcome and how the *de jure* rules are actually implemented. Nevertheless, there is a risk of tautology since these indicators may be too close to ultimate development outcomes. Further emphasis should be put on process indicators relevant to understanding causal mechanisms. This supposes to

prioritize the development of indicators that are suitable for political economy analysis and relevant to explain the causes of observed patterns of governance.

1.2. Statistical issues: expert opinion versus surveys, single versus aggregate indicator.

Expert assessments have notable advantages such as low cost, cross-country comparability (reduction of cultural bias) but also significant limitations because the opinions could differ from one expert to another. These assessments are subject to some bias such as the ideological orientation of the organization providing the ratings and the political appetency of local expert. The usefulness of indicators from surveys of firms and individuals lies in the fact that they express the views of the ultimate beneficiaries of good governance in a country. Indeed, if these stakeholders believe that the institutions are corrupt and unfair, they are unlikely to comply and they will demand more public accountability. These indicators have greater domestic political credibility compared to expert assessments that are often dismissed by governments as "uninformed pontification" by outsiders (Kaufmann and Kraay, 2008). Still, these indicators are limited by potential problems with any type of survey data. These limits are related to the problem of sampling design, the cultural bias which makes difficult cross-countries comparisons. In other perspectives, aggregate indicators present a main shortcoming related to inevitable loss of specificity that comes with aggregation. In addition, transparency in the publication of methodology and data sources is a crucial issue for aggregate indicators compared to single ones. Since it is illusory the hope to have perfect indicators, shedding some light on their construction should be a second best step. Langbein and Knack (2008; 2010) criticized the tautological character of the six Worldwide Governance Indicators (WGIs from the World Bank) by arguing that they appear to say the same thing with different words. Since they do not discriminate usefully among different aspects of governance, they should be use with caution for policy and academic purposes.

1.3. Use and abuse of indicators

Governance indicators are used by potential investors, development agencies, and analysts to assess the environment for growth and cooperation in countries around the world. The problem is that many of these indicators are misused in an attempt to compare the quality of governance across countries and over time. Based on perceptions, interpretations, and changing underlying data, these indicators pose many pitfalls for those who would use them as scientific basis for decision-making and strategic planning, or to determine the progress of reform over time (Arndt and Oman, 2006). Even though, some indicators producers such as Transparency International clearly discourage the use of their products for some policy purposes (for example, aid allocation), misuses remain. Devarajan and Jonhson (2008) remind that it would be dangerous to use indicators to "jump to simple conclusions without understanding the specific relation between governance and development in a particular country". Therefore, these indicators should not be used to design policy responses to problems of weak governance. These authors consider that one should not expect governance indicators to serve too many purposes in the Tinbergen tradition. Nonetheless, the argument that governance indicators cannot be reliable due to their statistical limitations is not consistent because similar critics should be made for all the data used in economics, particularly for countries with weak statistical systems.

1.4. Theoretical foundations of governance indicators: normative and ideological bias

From Albert Einstein quote about "not everything that can be counted counts, and not everything that counts can be counted", Kaufmann and Kraay (2008) called for more modesty towards the enthusiasm for governance indicators since all measures of governance involve some subjective judgment by principle. Given the multiplicity and unobservability of many governance dimensions, finding a single and reliable indicator remains uncertain and problematic. In this perspective, it is useful to take carefully into account the purpose for which individual indicators were designed, the ideological and normative assumptions behind governance

indicators as well as their relevance to the particular context of the country in question (Williams, 2011). The ideological bias criticism is mainly related to the preponderance of expert assessments of countries governance. These assessments are likely to be based on ideological considerations such as pro-free market, distributive policies, political positioning on the international scene. This tends to affect the credibility of these indicators in a context where some developing countries seem to see in them a new tool for domination because critical appraisals of these countries appeared unilateral, unfair and less transparent for them (Ivanyna and Shah, 2010; Razafindrakoto and Roubaud, 2010). Moreover, informal governance indicators are lacking in almost existing governance indicators. This neglects the potential role played by these institutions notably at local level. In a same vein, the influence of external actors (such as foreign governments, donors, multinational firms) is "curiously" missing in governance assessment and indicator building for developing countries[75]. Indeed, one cannot reasonably exclude these powerful actors from the complex system leading to current governance performance in some poor countries unless denying the reality of international political economy[76].

2. Criticism on teleological and ideological backgrounds: finality and consequences for the developing world.

It becomes legitimate to wonder whether "governance" is a biodegradable concept insofar the danger is that it is becoming an overused concept aiming to understand everything as it was the case for the term "geopolitics" in the past (Calame, 2003). From one country to another, from one level of governance to another, the basic principles are surprisingly similar. However, the particular arrangements for translating these principles are always highly specific. These similarities result from the fact that each society has to meet the same requirements while governance aims

[75] For instance, the OECD convention on Combating Bribery of Foreign Public Officials in International Business Transactions is a recognition that some bad governance practices can be imputed to international actors with important consequences for poor countries. http://www.oecd.org/document/21/0,3746,en_2649_34859_2017813_1_1_1_1,00.html

[76] See for instance Devin (2007) and Badié and Devin (2007) for more details on the sociology of the international environment in which developing countries evolve.

to fulfill the same functions of sustainability. Indeed, with the liberal governance approach, the efficiency issue tends to serve as legitimacy. Then, one can reasonably ask ourselves whether governance is the problem rather the solution since it seems to reinforce the collective impotence vis-à-vis challenges becoming more ungovernable because of the multiplicity of decisions centers (Ezzamel and Reed, 2008). Hence, advocating, to a certain extent, the virtues of neo-liberalism and market, the notion of governance values the action of other actors outside the state such as the civil society and the private sector. As a result, the weakening of states leads to serious social problems, especially for developing countries. Moreover, the governance approach tends to hide conflicts of interest, contradictions, hegemony, and the cultural and historical dimensions of policy (Campbell et al, 2000).

The most pessimistic authors put directly into question, through the notion of governance, the ability of democracies to address their long-term responsibilities, especially in the environmental field. About that, Jacobs (2011) has found that people's perceptions of the power of governmental institutions affect their willingness to trade pain today for gain tomorrow. Politicians' capacities to invest in the long term critically depend on citizens' confidence in the political system whereas constitutional settings, that separate power, can help to foster politics of investment. Besides, some authors argue for the development of non-majoritarian institutions or independent authorities able to guarantee the respect of long-term goal while avoiding the uncertainties of elective democracy. At the opposite, "dialogic democracy" provides a theoretical basis and legitimacy to the aspirations of citizens to interfere in the technical and scientific decision-making in a context of the multiplicity of problematic situations difficult to govern (nuclear, gas emissions, genetically modified foods ...). One of the challenges is to establish a clear boundary between what is widely accepted and is considered indisputable and what is indisputably recognized as social. Scientists acquire political power because they can tell the truth without being discussed by non scientists (Latour, 1999). Although scientists neutrality and selfless in terms of power remain questionable, all technical decisions taken by politics found their legitimacy in scientific knowledge, escaping

then to the democratic debate even if they engage the collective way of living (Ndiaye, 2008).

In other prospects, IOs have expressed governance reforms in technical terms. Thereby, they hoped to avoid suspicion of overstepping their statutory powers by intervening in the political affairs of sovereign states (Smouts, 1998). Moreover, recent violations of some human rights by some western developed countries, notably during the counter-terrorism operations and for the purposes of immigration policies, tend to reinforce arguments according to which western countries should no longer attribute to themselves the monopole of the promotion of rule of law (Goldston, 2009). These situations negatively influence some good governance agenda proposed by international donors, and it is used sometimes as an alibi by some recipient governments to slowdown or to skip sensitive reforms. Indeed, confusion between governance and democracy leads to an assessment of states on the basis of general criteria such as fictitious multi-partism or participation of civil society. In addition, it allows some poor country's governments to play an international institution against another insofar the concept of governance, compared to that of democracy, is a generic theme for action of almost IOs dealing with international development (Dioubaté, 2008). However, to some extent, such a "conceptual vagueness" of the governance doctrine proves to be convenient for these IOs. In fact, in absence of standards, each international actor will set its own requirements and conditions to appreciate, in developing countries, changes in governance. Ultimately, governance concept seems to convey the idea that the "global village" needs a uniform value system, which is against any approach based on cultural diversity (Fukuyama, 1992; Huntington, 1993). As argued by Pagden (1998), far from linking the current emergence of the idea of governance to a reassessment of western imperialist values, it appears somehow compelling that the membership in the global community requires some acceptance of a set of political and social values. These values should not be the product of a particular culture but as an expression of universal human condition. This seems especially relevant since these values encompass the ideas of' humanness and solidarity behind any international development agenda.

Table n° 1: Some criticisms on the governance concept			
Critics		**Authors**	**Argumentations and comments**
Methodological and operational aspects	The issue of governance indicators: elusive consensus and challenges	Williams (2011) Arndt and Oman (2006) Kaufmann and Kraay (2008) *Devarajan and Jonhson (2008) Razafindrakoto and Roubaud (2010) Langbein and Knack (2008; 2010) Ivanyna and Shah (2010)*	What exactly do we measure from which theoretical definition and foundation? Normative character of the majority of governance indicators: ideological bias. Distinction between indicators of input, process and outcome. Method of collecting information: expert opinion, surveys, quantitative, qualitative, political economy approach, stakeholders participation. Simple versus aggregate indicators and statistical problems. Use and abuse of indicators: the policy of allocating financial flows and foreign aid; use in empirical and econometric researches in social sciences.
Ideological and teleological aspects	Efficiency versus legitimacy	Ezzamel and Reed (2008) Ndiaye (2008); Latour (1999); Jacobs (2011).	Governance as the problem rather being the solution; multiplicity of decision centers and actors. Problem of responsiveness, imputation and accountability.
	Ideological struggles	(Sindzingre, 2001; 2003). Smouts (1998); Pagden (1998); Fukuyama (1992); Huntington (1993); Goldston (2009); (Campbell et al, 2000).	Universalism or relativism? Neoliberal hegemony?
	Conceptual vagueness	Calame (2003); Dioubaté (2008).	The vagueness surrounding the concept of governance seems profitable for different stakeholders. But a hypothetical consensus would be suspicious!!

Conclusion

In this chapter, we have analyzed and reviewed some broad dimensions of governance, proceeding through historical and interdisciplinary frameworks. Starting with Ancient Greek philosophers, we have depicted the governance concept through a prism of the exercise of political and economic power. At this epoch, the main concern in governance debate was the identification of the characteristics of the best political regime. Hence, the challenge was expressed in term of a trade-off

between economic efficiency and political legitimacy. Furthermore, the Renaissance era in Western Europe was marked by the emergence of another awkward governance dilemma affecting the issue of moral in politics. The competition was between the conceptions of political legitimacy based on the absolute sovereignty and those based humanist and poverty reduction principles. In terms of economic policy, these conceptions respectively supported mercantilist and physiocratic doctrines. During Enlightenment period, the debate on political legitimacy took a color of the social contract based on the principles of equality, freedom, human reason and people-based sovereignty. Thus, the main problem remaining to solve at this time was the avoidance of the power abuse in a context of a balance between equality and freedom. This was expressed in terms of separation of different powers and the empowerment of checks and balances institutions such as civil society. This period was also marked by the birth of economic liberalism which challenged economic protectionism advocated by mercantilist proponent. Current conceptions of the governance doctrine (local, corporate, national and global) break with these traditional approaches insofar more considerations are given to non-state actors which makes questionable the principle of state as a sole holder of political legitimacy. Before being popularized by the World Bank at the early 1990s, the governance doctrine was mainly treated in the academic arena through political sociology and corporate economics. The concept became a buzzword after the fall of the Berlin wall, and after having been conceived normatively in terms of "good governance" prescribed to predatory and inefficient governments in developing countries. The analysis of increasing globalization, inherited from hegemony and international regimes conceptualization in IPE, reached the global governance concept as an approach to manage greater world interdependency. Instead of being engaged in a search of hypothetical unique definition of the governance concept, we have proposed some of its common characteristics (diversity, heterogeneity and position of actors, process of norms production) in economics and political science. Following the logic of governance, decisions are no longer the product of a debate or deliberation. They are rather the result of negotiations, bargaining and bartering between stakeholders likely to be in a horizontal position. Nevertheless, the reality

of power relations very often prevails in terms of confrontations that bypass negotiations. As a result, we have the production of non-binding norms that make questionable the issues of accountability, input and output legitimacy. This also raises the problem of ethics and equity in the governance outcomes. While states and IOs appear at the heart of political science analysis, the governance doctrine was treated by modern market economists in terms of a redefinition of the respective role of state and market. Through a brief analysis of the main research agendas concerning the governance doctrine, this chapter has also provided further insight on the issue of corporate governance, global governance as well as the political economy of the emergence and consolidation of good governance in developing countries. Subsequently, the potential role for IOs was depicted in the light of their statutory missions, especially in fragile states where the balance between the risk of action and the risk of inaction is tremendous. Indeed, the degree of state strength is likely to influence the development of accountability since weak states have a high probability to be characterized by low accountability and legitimacy while struggling for survival. Beyond governance conceptualization, cross-countries studies aiming at assessing the effects of good governance on economic performances are challenged by the causality issue, but also by inappropriate governance measurement subject to conceptual vagueness. The immediate consequence of this situation is the hesitation and shyness in international actor's policy prescriptions in terms of investment for improving governance in poor countries.

Henceforth, many criticisms emerged about the governance paradigm. Indeed, the vagueness of most governance does not offer a real practical assistance to governance reforms. In addition to methodological criticisms, appear ideological ones frequently accusing the current governance doctrine to be highly ideological when, to a certain extent, it tends to advocate a privatization of politics and an undervaluation of social and human dimensions of development in developing countries. However, balancing different positions about the governance doctrine implies to move beyond conceptual and ideological confrontations. This is necessary to set out a teleological and purposive approach enabling the design and implementation of feasible governance reforms by taking into account ethical considerations.

CHAPTER 2

Chapter 2: International actors and the worldwide diffusion of the governance doctrine: the case of the World Bank[77]

Abstract

The World Bank (Bank or WB) appears as an important producer and bench scientist of norms in the area of economic development. In this connection, the Bank keeps up an endogenous influence relationship with various kinds of external actors. This chapter assesses the current international spread of governance ideas and norms which was pioneered by the World Bank. What does governance mean for the World Bank and to what extent does the organization succeed in diffusing the doctrine worldwide? The World Bank primarily focused on economic aspects of governance in the 1980s, and progressively moved to its political dimensions towards the end of the 1990s. After a discussion on the potential reasons for this global shift towards the good governance doctrine, this analysis proposes a framework to assess the channels of diffusion and the strategies used by the Bank to make the good governance approach operational. The knowledge channel is examined thanks to some revolution in bibliographical data. This evaluation examines in quantitative and qualitative ways some aspects of the Bank's soft power in the diffusion of the governance doctrine. The Bank's smart power is seen at work through its aid allocation system. The potential influence of the World Bank's main governance indicators (CPIA, WGI and Doing Business) is depicted through what donors claim when allocating aid, and beyond rhetoric, through what correlations suggest. For each of the main international donors, cross-sectional econometric regressions are run on large samples of developing countries (2005-2010). Depending on the donor we look at, empirical results do not reject strong covariations between new aid commitments and the CPIA, and to a lesser extent with the WGI.

***Keywords**: The World Bank, governance, knowledge, smart power, aid commitments.*

[77] This chapter led to an article published in "Monde en Développement n°158, 2012" with the title "The World Bank and the genesis of the "good governance" concept. In addition, another version of this chapter is in the revision process for publication in the journal "Oxford Development Studies". In both cases the article is co-authored with Patrick Plane.

Introduction

The governance concept forced itself on the usual language without a consensus on what it really means. On a simply way, governance refers to a process and art of management based on rule and norms. However, the governance concept is in the category of elusive words which become awkward to define when they are put out of the usual context. We have already discussed in the previous chapter this lack of clarity in the governance concept. Thence, if we have to situate the idea behind this concept of governance within the World Bank's policies, it could be likely positioned at the end of the decade 70s. This arose with the introduction of the principle of evaluation of borrower states during the allocation of IDA[78] resources through the Country Performance Rating-CPR (which become later the Country Policy and Institutional Assessment-CPIA). The CPIA is the first attempt of the World Bank to assess the governance quality in developing countries. Our intention in this chapter is to shed some light on how the World Bank has shaped this concept over a twenty year period since the end of the 1970s when the issue rose in the forefront of the development agenda. At that time, the Bank referred to this phenomenon to explain major economic failures in the public management of the poorest countries[79]. Yet, up to the end of the decade 80s, the governance concept did not say it name, but it was already disguised in "the market temple". Thus, it was expressed and implemented in terms of SAPs with it procession of privatization, liberalization and stabilization which were the key norms prescribed in the Washington Consensus. The year 1989 marked the beginning of an explicit designation of the governance issue by the Bank as the key factor enabling to explain development policies failures in poorer countries (World Bank, 1989). The Bank primarily chose to only deal with the technocratic and economic aspects of governance before progressively returning to its political and social dimensions at the end of a decade 90s[80]. Insofar governance was assumed to be treated in a

[78] International Development Association (IDA) is the entity of the World Bank Group in charge of development financing in poor countries.
[79] See: Stein, 2008; Shihata, 1995; Williams and Young, 1994; Stone and Wright, 2007; Tshuma, 1999, Brautigam, 1991.
[80] See Joseph, 2000; Miller-Adams, 1999; Owusu, 2003; Pender, 2001; Shihata, 1995 ; Harrison, 2005; Devesh et al, 1997.

technocratic manner without any ideological positioning, or at least with the supposed universal ideology of neo-liberalism, it appears consistent that the World Bank has developed a benchmarking approach (with governance indicators) based on the same referential in order to assess governments' performances in terms of good governance. Besides, two elements could witness the move of the Bank toward the political aspects of governance. The first one is the introduction of social and governance clusters in the CPIA from 1998, and the second element is the launch of the WGIs which expressly deal will the political assessment of countries.

With the fall of the Berlin wall and the end of bipolarization, the international scene was assumed to move toward a kind of standardization of liberal value (Fukuyama, 1992). These events have contributed to shape liberal governance policies in the world economy[81]. The adoption of universal norms, such those of governance, became a matter in the agenda of some IOs like the World Bank. Globalization makes market mechanisms as a principle of benchmarking for states concerning their ability to promote economic effectiveness. Inside the WB, the indicator related to this approach of benchmarking is the *Doing Business Project* in which the instantaneous effectiveness of market is preferred to all other alternatives mechanism of economic coordination as stressed by Coase, Williamson and the New Institutional Economics.

In the following sections of this analysis, we briefly remind in the first time some theoretical debates on norms and ideas diffusion while, in the second step, we outline the genesis of ideas on governance within the WB. The organization proved sensitive to the external thinking of academics, and contributed itself to defining the concept of good governance over nearly three decades. The third section focuses on the relationship between the 'Knowledge Bank' and the governance issue. We quantify the "soft power" of the Bank by the relative importance of this theme in its intellectual production. The fourth section focuses on the WB's aid allocation system

[81] Fukuyama (1992) was among the most prominent authors to predict the global triumph of political and economic liberalism adopting the Hegelian perspective of a progressive humanity evolving to a universal ideology.

which combines both principles of soft and hard power[82]. The WB's main governance indicators (CPIA, WGIs, and DB) are briefly analyzed, as well as the importance that the donor community assigns to each of them in allocating their funds. Beyond what donors claim, we also explore how actual financial commitments correlate with these indicators, controlling for some structural determinants of aid allocation. For each donor, cross-sectional regressions, run on developing countries over a four year average period (2005-10), do not reject the presence of linear correlations. For some donors the CPIA seems to be the most important, especially for regional multilateral development banks; while bilateral donors such as France and to a lesser extent the United Kingdom demonstrate a "path dependency" with an allocation rule determined by their own past colonial history. The CPIA proves influential, while both the WGI and the information conveyed by the *Doing Business* matter less. The last section provides conclusions.

I. Review of debates on ideas and norms diffusion in development policies arena

A norm could have different meanings according to the theoretical approach adopted for it analysis (MacLeod et al, 2008). For instance, a norm could be considered as a rule (contract enforcement…), a principle (sovereignty…), a value (democracy…) or an expectation in terms of behaviors (human rights protection…). The concept of norm became effectively used in International Relations (IR) since the decade 1980s with liberal institutionalism approaches. This was the case with international regimes theorists who conceive this notion as a kind of standardized behavior taking a meaning closed to rule. For international regimes authors, such as Krasner, norms have regulatory and procedural functions because they are considered as tools for behavior regulation used by states in order to reduce

[82]According to Nye (1990), leadership is not just a question of issuing commands through inducements or threats; soft power also matters. "Soft" power is characterized by the ability to shape the preferences of others through persuasion, or attraction that leads to acquiescence. Conditionality principles proceed from a hard power while the diffusion of the Bank's approach in the member state community relates to a soft power. On this point, see: Mosley et al., 1995; Van Waeyenberge, 2009; Storey, 2000; Plehwe, 2007.

uncertainties related to cooperation. In contrast, for constructivist theorists (such as Wendt, Finnemore, …) norms are constitutive and take the meaning of value or principle. Therefore, what is important according to them is the idea of legitimating by the community and the sharing of social and common norms necessary for behaviors in institutionalized eras. Meanwhile, Legro (1997) argues that norms do not necessary matter in the way or often to the extent that their proponents have argued. The literature on norms has generally underestimated their impacts because of several conceptual and methodological biases. By focusing on the argument that norms matter, analysts have given short interest to the critical issue of which norms matter, the ways they matter, and how much they matter relatively to other factors. A second problem is that efforts to explore norms suffer from a bias toward the norm that worked. However, why norms did not emerge or have no effect is also important than why or where they did.

Thence, in order to understand the complex mechanism through which norms spread out in a wider environment, it seems important to analyze the ideas underlying them and guiding the desire for expansion. Thus, some issues arise concerning the consistency and adaptation between initial contexts of ideas and their destination contexts. Indeed, for Bourdieu (1990), most misunderstandings in international communications are caused by the fact that ideas and norms do not travel together with their contexts. As result, the judgment of the foreigner is like that of the posterity because they have, to some extent, a distance and autonomy towards social constraints of the context. In the same perspective, for Zaelke et al. (2005), norms are assumed to operate internally and externally through a production of obligation or aversion to a particular action. They affect human behavior by influencing the choices made by the quasi-rational actor who incorporate the consequences of violating internal or external norms. This can explain, at least in part, why these actors often comply with the rules when it is not in their purely economic self-interest to do so.

Undoubtedly, ideas and norms diffusion need a support from some power. Hence, this chapter is engraved in the line of researches seeking to deal with the relationship

between power and ideas (Ascher, 1983; Cox, 1992; McNeill, 2006; Wade, 2002, Joseph, 2000). Following the concept of soft power developed by Joseph Nye (1990), one might recognizes that ideas and norms are likely to be better diffused through a strategy of seduction and attractiveness rather than coercion. Yet, Neo-Gramscian approaches keenly see, in worldwide diffusion of norms some expression of hegemony through a knowledge-based legitimating. Indeed, people agree with and internalize knowledge, ideas and norms, which proffer meaning to subjects, objects and practices. In doing so, they internalize a particular set of power relations, as knowledge or discourse is not neutral (Das, 2009).

While some authors debate about the fact that ideas' powers serve to motivate or alter individual and group actions, others authors think that ideas don't have power in themselves but they depend only to the extent that they are actively taken up by powerful individuals or groups (McNeill, 2006). Yet, the power of the idea, and the power of its promoter are not entirely independent, and one could have some difficulties while assessing the importance of each of these two elements. Moreover, even if the merits of an idea and norm are certainly important for the rate and extent of their diffusion, it appears that their ability in boarding on time into the right passing bandwagon matters too much. Therefore, it seems that ideas which are most successful in the policy arena are not those that are most analytically rigorous but those that are most malleable in the sense that they can be interpreted to fit a variety of differing perspectives, achieving consensus by conveying different meanings to different audiences (McNeill, 2006; Cartier-Bresson et al, 2009). As matter of fact, the rate and extent of diffusion are faster when the idea and norm are initiated or promoted in the policy or popular realms than in the academic one. This assertion is particularly consistent with regard to ideas underlying governance norms.

Hence, concerning norms diffusion by IOs, Barnett and Finnemore (1999) argue that IOs spread the benefits of their expertise and often act as conveyor belt for the transmission of norms and models of "good" political behavior. For these authors, this role is not accidental since officials in IOs often insist that a part of their mission is to spread, inculcate and enforce global values and norms. Their success depends

on their persuasive capacities in developing states which continue to be popular target for norm diffusion by IOs. The IMF and the World Bank are explicit about their role as transmitters of norms and principles from advanced market economies to less-developed countries, and even these roles are often explicitly notified in their Articles of agreements. However, realists keenly see, under these diffusions of norms by IOs, the actions and will of strong member States. This is not always true insofar some norms produced and diffused by IOs sometimes contribute to shape and constrain even strong member States. The current sovereign debt crisis in Europe highlights this argument because IMF was requested in some countries such as Greece, Portugal and Spain for adjustment policies. This demonstrates that good governance norms promoted by these IOs are not reserved only for poor countries. Besides, even IOs are in mutual influence relationship through what Gehring and Oberthür (2009) qualify as "cognitive interaction" based on the power of knowledge and ideas or through "behavioral interaction" based on the interdependence of behavior across their domains. Thus, all international governance institutions are designed to influence the behavior of relevant actors in order to achieve their objectives. Subsequently, diffusion of norms by international actors entails the debate on the universal and relative features of these norms. This chapter takes the example of governance norms with the World Bank as a promoter to assess the contexts and strategies of its genesis, diffusion and appropriation in the international development community.

II. The World Bank and governance ideologies: from economic to socio-political approaches through a neo-liberal framework.

An in-depth analysis of the Bank and its governance concept over time reveals some substantial changes influenced by contextual economic ideas and some international political advents. During the first period (70s to 80s), when governance did not yet say its name, the Bank dealt with it in terms of a trade-off between state and market. The political neutrality of the WB was shaped by the neo-institutionalism wave which implied moving towards a political approach of governance since the

beginning of 90s. Meanwhile, at the end of 90s the WB revisited neo-liberalism through a governance doctrine with a human face guided by the need to take into account some social dimensions of economic development.

In 1989, the WB's report coordinated by Pierre Landell-Mills - *Sub-Saharan Africa, from Crisis to sustainable Growth (*World Bank, 1989) - has generally been considered as the first official WB's publication which refered explicitly to the "governance" issue (Williams and Young, 1994; Shihata, 1995; Stein, 2008). This does not mean that the problem was ignored before, as evidenced by the CPIA which was initiated in the 1970s and which focuses on the quality of macroeconomic management. At the beginning of the 1980s, the so-called Berg's report explained the low economic growth rates in Sub-Saharan Africa, and called attention to the responsibility of non-Weberian African public bureaucracies (World Bank, 1981). Governance was not explicitly designated as a crucial problem, but the poor management underlying public sector weaknesses was denounced as a major hindrance to the development process[83].

Redefining state interventions and market mechanisms was the challenge of the neo-liberal wave,[84] *getting the prices right* becoming the credo of the structural adjustment programs. Within the Bank the liberal option took a decisive turn in 1981 with the appointments of Claussen and Krueger, respectively as the President and the Chief Economist of the organization, succeeding the charismatic tandem of MacNamara and Chenery. While the liberal concept of economics spread worldwide the Reagan administration exhorted the Bank to use its financial leverage more efficiently to support market rules (Ayres, 1983, Williams and Young, 1994). All the chief economists from A. Krueger (1982-86) to M. Bruno (1993-96) belong to this school of thought with its institutional, political and social extensions defining the so-called "augmented Washington consensus"[85].

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[83] From the beginning of the 1950's to the end of the 1970's, welfare state principles prevailed and the Bank supported public interventionism in developing countries to bypass inefficient market mechanisms. Governments were encouraged to take the lead in the development process, including by some pioneers of development economics who never ignored the problems arising from state failures.

[84] See Ascher,1983; Biersteker, 1990; Cling et Roubaud, 2008; Mason and Asher, 1973; Mawdsley and Rigg, 2003; Stein, 2008; Stiglitz, 1999; Devesh et al, 1997; Kapur et al, 1997.

[85] The concept of Washington Consensus was developed for the first time in Williamson (1990), *Latin American Adjustment: How Much Has It Happened?* Washington, D.C.: Institute for International Economics. See Onis and

In 1992, *Governance and development* brings further information on what governance means for the Bank, highlighting both the course of history and the institutional constraints inhibiting the evolution of the concept within the organization[86]. On the one hand, the introduction of the pamphlet refers to a general definition of governance which can be seen as the exercise of authority, control, management and power of government. On the other hand, a pragmatic definition drives the Bank to interpret governance as the manner in which power is exercised in the management of a country's economic and social resources for development. The concern is that good governance is to be seen as synonymous with sound development, thus extending beyond public sector management to the principles of accountability, and the legal framework. While the Bank seems to reject the political dimension, the booklet suggests that there is no taboo anymore on the subject (World Bank, 1992, 1994). As the Berlin Wall has fallen, but the Soviet empire has not collapsed, the organization remains cautious on ideology, and what can be interpreted as an assessment of political regimes. A lot of WB's member countries do not really comply with the conditions of western democracy. Free political competition only exists in few developing countries, and then the *realpolitik* principle has to apply. In addition, formal democracy is not enough. Pluralism needs the promotion of the rule of law, as well as the participatory process of civil society performing "watchdog" functions. At that time, the Bank avoids any dangerous correlation of good governance with the main features of the western neo-liberal political system. The first infringement to this "neutrality" came with J. Wolfensohn, when in 1996 the agenda for anticorruption was launched. At the joint World Bank-IMF annual

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Senses (2005) and Rodrik (2006) for more details. The original Washington Consensus was based on: 1. Fiscal discipline; 2. Reorientation of public expenditures; 3. Tax reform; 4. Financial liberalization; 5. Unified and competitive exchange rates; 6. Trade liberalization; 7. Openness to DFI; 8. Privatization; 9. Deregulation; 10. Secure Property Rights. The "Augmented" Washington Consensus enlarges the previous items with: 11. Corporate governance; 12. Anti-corruption; 13. Flexible labour markets;, 14. WTO agreements; 15. Financial codes and standards; 16. "Prudent" capital-account opening; 17. Non-intermediate exchange rate regimes; 18. Independent central banks/inflation targeting; 19. Social safety nets; 20. Targeted poverty reduction.

[86] The 1992 pamphlet refers to a definition of the governance given by the *Webster's New Universal Unabridged Dictionary* (London: Dorset & Baber, 1979). Governance has three distinct aspects: (a) the form of political regime (parliamentary or presidential, military or civilian, and authoritarian or democratic); (b) the processes by which authority is exercised in the management of a country's economic and social resources; and (c) the capacity of governments to design, formulate, and implement policies, and, in general, to discharge government functions. The first aspect clearly falls outside the Bank's mandate. The Bank's focus is, therefore, on the second and third aspects. (See: World Bank, 1992; 1994; 2001a; 2001b).

meeting, the head of the Bank talks about the need to fight the "cancer of corruption". One year later the same words come up in "Helping Countries Combat Corruption", and in the World Development Report which addresses the problem of the *State in a changing world*. In the foreword of this report, Wolfensohn made the point that an effective State works for the market, not as a director. In addition, he stresses the role of the civil society, which was already perceived by Tocqueville as "the ultimate guarantee that the state will be unable to arrogate to itself any more power than an active citizenry is willing to grant" (World Bank, 1997).

The "good" governance doctrine, initially limited to public management reforms and later to the building of the free market economy, then becomes a more complex phenomenon with the introduction of political values. Democracy is the reference with the presence of "checks and balances", including those associated with the participatory process of the civil society. We will return later to the indicators operationalizing these views, but in 1999 this political dimension was taken into account to revisit the definition of the CPIA, which was the first WB's governance indicator created at the end of 1970s. The main outcome of this revision was to incorporate some items relating to property rights and rule-based governance, as well as to transparency and corruption in the public sector. For a long time, the CPIA had been a pure intra-organizational instrument for the Bank's internal country evaluations. Together, the transparency rules and the accountability principles, that are required from member countries, or the stimulation of the social participatory process, help the progressive diffusion of information externally. In addition to the CPIA revision and its diffusion within the world community, in 1999 the Bank also launched the calculation of the Worldwide Governance Indicators whose construction and international cover have deeply evolved over the last ten years[87].

In parallel to this indicator, in 1998 the Comprehensive Development Framework (CDF) was created, encompassing a set of principles to guide poverty reduction, including a holistic long-term vision of development. This initiative was taken while the weaknesses of the "Washington Consensus" were being criticized; standard

[87] See Kaufmann et al, 2008.

policy reforms having failed to produce expected outcomes in terms of economic growth and poverty reduction. A second generation of reforms was needed, the so-called "augmented Washington Consensus", which is heavily institutional in nature (Rodrik, 2006). Economic programmes have to extend to governance, anti-corruption, legal and administrative reforms, labour market flexibility and social safety nets. Within the Bank, Stiglitz, who was appointed as the new Chief Economist in February 1997, supports this refashioning, encouraging a movement beyond liberalization and privatization, and reminding us that the market does not always provide the most efficient outcome. The CDF emphasizes the need to create the institutional underpinnings of market economies, and to tackle poverty as a primary ambition.

Using the CDF principles, a country defines its vision of the development process in close collaboration with all domestic and external stakeholders (civil society, private sector, donors). The CDF inspired the Poverty Reduction Strategies (PRS) and helped to shape the United Nations declaration (2000) concerning the Millennium Development Goals (MDGs), as well as the Monterrey consensus, which committed developing countries to set up "good" governance. Strictly speaking, poverty reduction is not a new objective, being a major element of the original charter of the Bank. But what is new is that beyond the "trickle down" theory that urged governments to concentrate on maximizing GDP growth rate, the poverty reduction strategy now conflicts with redistributions based on reduction of income inequalities. The economy is seen as efficient when achieving the maximum output of preferred goods and services from available resources. But this dimension, reflecting the economic governance, is not enough. Income distribution associated with output is also important. It must be seen to be "just" or "fair"; the problem being to specify what this distribution should be. This is not an issue where economists are very influential. The definition of distributional efficiency belongs more to the realm of moral and political philosophy. However, at the turn of the century, the concept of a liberal distributional efficiency prevails in the world community and deeply influences the Bank. The 2006 World Development Report illustrates this new

philosophy and finalizes what must be considered as "good governance" from the liberal standpoint.

The WDR 2006 argued that public action should focus on the distribution of assets, economic opportunities, and political voice, rather than directly on inequality of incomes. Greater equity implies more efficient economic functioning, reduced conflict, greater trust, and better institutions, with dynamic benefits for investment and growth. When these rules apply in a market economy, income differences then provide incentives to invest in education and physical capital, to work, and to take risks. Income inequalities are consubstantial to the efficiency of the market economy, and prove inacceptable only if there are predetermined circumstances out of individual control. "Equal opportunity" may be considered to be the basic principle underlying the promotion of equity, and this means the possibility that all individuals should have the same ability to pursue a life of their choosing, and to be spared from extreme deprivation in outcomes. With the strategic orientations of its 2006 World Development report, the Bank has completed its liberal interpretation of governance beyond the Western spirit of welfare state economics. Its philosophy integrates Sen's line of thought, but is also impregnated with Rawls's liberal political philosophy based on fairness in the distribution of "natural" and "social primary goods". It also takes into account Dworkin's vision of the unity of political and economic liberalism through its conception of equality (luck, egalitarianism). Accordingly, the Bank has drawn the lessons of the 1980s when it was urged to promote adjustment processes with a "human face" and criticized for its excessive concern for relative prices (Cornia et al, 1987).

After maturing for several decades, the World Bank's "good governance" finally looks like something quite close to what the philosophers of the enlightenment had in mind: a concept embracing political, economic and social aspects that make the equilibrium of an efficient liberal society. However, the question to know whether the concept must be considered as a universal one or not, is still being debated. Fukuyama (1992) defended this perspective in "*The End of History and the Last Man*" predicting that human rights, liberal democracy and the capitalist free market

economy together were to become the unique ideological term of reference. Conflicting with this perspective, Huntington (1993) announced cultural divisions and the evolution to a *Clash of Civilizations*. Many economists also qualify Fukuyama's views, at least as regards values and channels leading to development. In a world combining global governance and multi-polar powers, the "good governance" issue will remain challenging. As a pragmatic organization, the Bank remains open to ideas outside the conventional paradigm. The role of state and public organizations in the design of development strategy illustrates this behavior. Indeed, this role is much more balanced than it was thirty years ago. Now, the debate is not over the primacy of public intervention versus that of market but it remains on the best way to mix these two channels through the art of governance.

III. The knowledge Bank and the production and diffusion of governance norms

1. The Knowledge Bank and the diffusion of governance norms

Understanding the influence exerted by the WB in the worldwide diffusion of governance norms necessitate, first, to shed some light on the sources of it autonomy and influence over it complex environment. While some authors always remind that the WB is always navigating in political waters, it seems quite necessary to examine by what means and process it was able to put the governance doctrine at the top level of the international development agenda. Indeed, as predicted by resources dependency theory, the sources of the bureaucratic autonomy and the authority held by the WB can be found in legal, delegated, moral and expert rationales (Barnett and Finnemore, 1999). The first significant source of bureaucratic autonomy of the Bank comes from it organizational structure based on its Articles of agreement while the second source comes ironically from the interest and even the relative dependence of member states on the Bank, included the most powerful ones (because of strategic, geopolitics interest and values dissemination considerations). The third source of autonomy and influence of the WB vis-à-vis external pressures is its normative

power derived from its hegemonic position as a generator of ideas and data about economic development (Wade, 1996, Mehta, 2001, Squire, 1999, Krueger,1998). Here, our interest is focused on the third source of influence by treating the case of governance norms.

The WB has actively promoted the idea of good governance in academic arena by associating prestigious researchers supposed to bring their blessing to the concept. This soft influence is channeled through its publications in the academic sphere which completes the most general diffusion of ideas through thematic and regional reports as well as the Bank's flagship product, namely the World Development Report (WDR). About 10% of the DEC's budget, more than 3 million USD, is dedicated to each issue of the report[88]. It is the main tool of influence of the Bank in the knowledge arena and proved to be a powerful vector for its conception of the governance and the respective role of the State, markets and institutions. The WDR generally benefit from the participation of prestigious researchers and can be the arena of ideological clashes as different kinds of international actors are seeking to influence the general orientation of the report[89] (Wade, 2001, 2002; Stein, 2008). Thus, the Bank's research department plays an important role in ideas diffusion[90]. It is headed by a chief economist who cumulates the position of senior vice president. Changes at the head of the DEC have generally been an opportunity to enhance some evolutions if not radical changes in the philosophy of the organization. When Krueger replaced Chenery at the beginning of 80s, her appointment was interpreted as a shift from the leading role of the state to the preeminence of market-based mechanisms. Again, at the end of the 90's, Stiglitz's appointment also corresponded to a desired reorientation aiming at giving a more active role to institutions including state interventions for market failure reductions. The Bank started the new millennium by calling for more efficient institutions for the development of the

[88] The Development Economics vice presidency (DEC) known as the department of research is composed by two entities: the Development Research Group and the World Development Report Unit.

[89] For instance, the 2000/2001 WDR can illustrate this situation when the US government was accused to interfere in the report-making in order to maintain a liberal approach of inequalities and poverty in the global orientation of the report. As argued by Wade (2001, 2002; Deacon, 2007) this could explain the firing of the report team leader, Kanbur, and Stiglitz, the chief economist at this time.

[90] The World Bank research output during the fiscal year 2008-2009 is estimate to 1982 products which include book, scholarly articles and others reports (see *World bank research FY08 FY 09 current abstract)*

private sector. In this perspective, the Deaton's report has depicted the *Doing business* project as one of the most flagship product of the Bank to promote good governance (Banerjee et al., 2006).

In order to strengthen the diffusion of this doctrine and to position the organization as a "knowledge Bank" on economic and social issues, the research department was associated to the World Bank Institute (WBI) contributing to give the organization an influence beyond its foreign aid flows (Squire, 1999). Indeed, the WBI pursues some objectives in the knowledge diffusion worldwide. A wide range of its thematic issues is based on governance topics, on the problematic of the capacity building and its comparison across countries. One of the most well-know product of the WBI is the Worldwide Governance Indicators (WGIs) whose construction was initiated by Kaufmann in collaboration with the DEC and other World Bank departments. Furthermore, the WBI also undertakes country-governance profiles, called diagnostic surveys of governance and anti-corruption (GAC). The GAC approach is based on the participatory process of the recipient's government in the identification of governance problems. The appropriateness of the diagnosis helps both the detection and the implementation of adequate solutions.

The diffusion of governance doctrine by the WBI is also conveyed by several partnerships that the organization financially supports through training and research networks worldwide. The Global Development Network (GDN) and its regional representations are part of these influential channels. While some authors are doubtful about the power of the Bank to generate new ideas in development economics (such as Gavin and Rodrik, 1995; Gilbert et al., 1999, Mawdsley and Rigg, 2003) others critical authors preferred to see in the promotion of the knowledge bank a post-Washington consensus strategy in neoliberal hegemony (Plehwe, 2007). However, the Bank power in knowledge production and diffusion is keenly recognized by some authors such as Squire (1999) or Stiglitz (1999) for whom the Bank predominant role in development research is so strong that, were it involved in the production of an ordinary commodity, it might be accused of anti-trust violation. In order to assess to what extent these above affirmations could be realistic, we

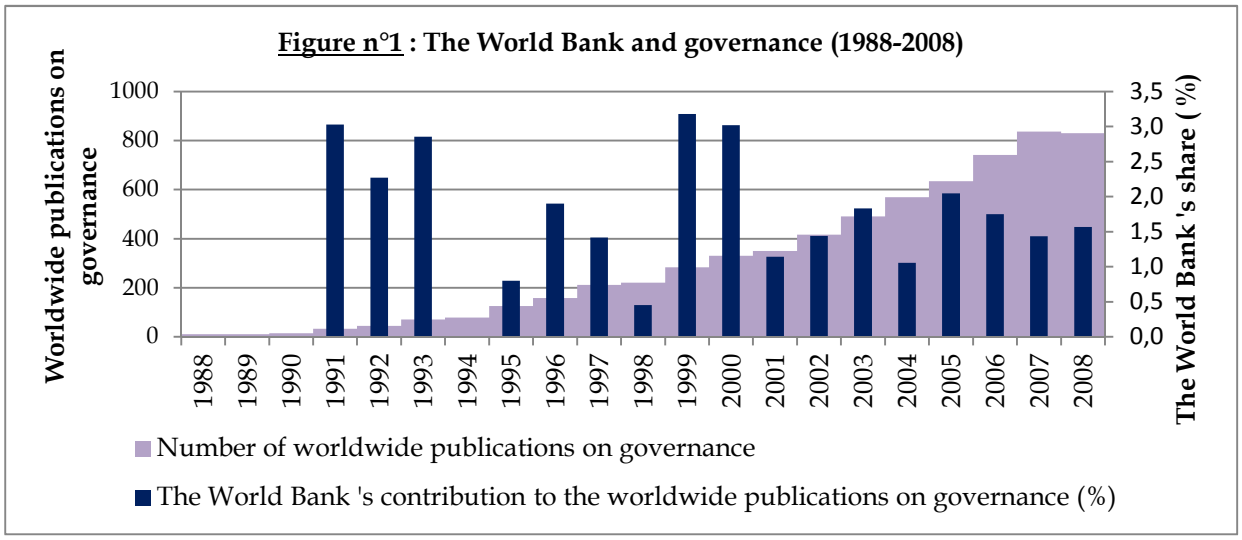
propose a case study in the next section by focusing on the Bank research on governance topic.

2. A bibliometric approach to governance norms diffusion

Thanks to some progress in bibliographical technology, we are now able to undertake in-depth analysis on the production and diffusion of ideas worldwide. The knowledge channel is assessed through a bibliometric data approach dealing with publication quantities and impacts based on citations. This exercise has been carried out, by using the *Web of Science* bibliographic database from the *ISI Web of Knowledge* website (Institute for Scientific Information -ISI) published by Thomson Reuters. The first objective pursued in this analysis is to evaluate the role governance played within the organization but also to identify the Bank's market share in the worldwide production of knowledge on this issue. Governance-based publications in the most influential journals are considered as well as associated citations in the academic literature. Together, publications and citations give, to some extent, a picture of the Bank's influence on this specific topic. We also determine the main external academic actors collaborating with the Bank about governance concept. The academic worldwide network of researchers and universities contributes to underpin the ideological reasoning and shapes the "good governance". The objective we pursue in this section is inevitably partial with regard to what the Knowledge Bank is.

To undertake the census of publications we retain the presence of "governance" as a term either in the title, the abstract or the list of keywords. A paper is ascribed to the Bank if the name of the organization appears as one affiliation of authors. Materials collected are classified according to the subject area, the document type and the year of publication. Publications are defined through four items: article, review, proceedings, book review. Three large scientific domains have been considered, from 200 listed by the *Web of Science* database: *Economics, planning and development; Business and finance; Political science and international relations*. These domains fit the main

intervention areas of the Bank, where governance proves a relevant topic for characterizing the economic and political rules of the societies. Additional domains did not modify the conclusions we draw, partially overlapping with the three chosen ones which represent one third of all publications from all scientific domains[91] where governance is a topic. The investigation covers the period 1988-2008[92]. The starting year corresponds with the emergence of the concept in the economics literature.



Source: authors' calculations from ISI web of sciences.

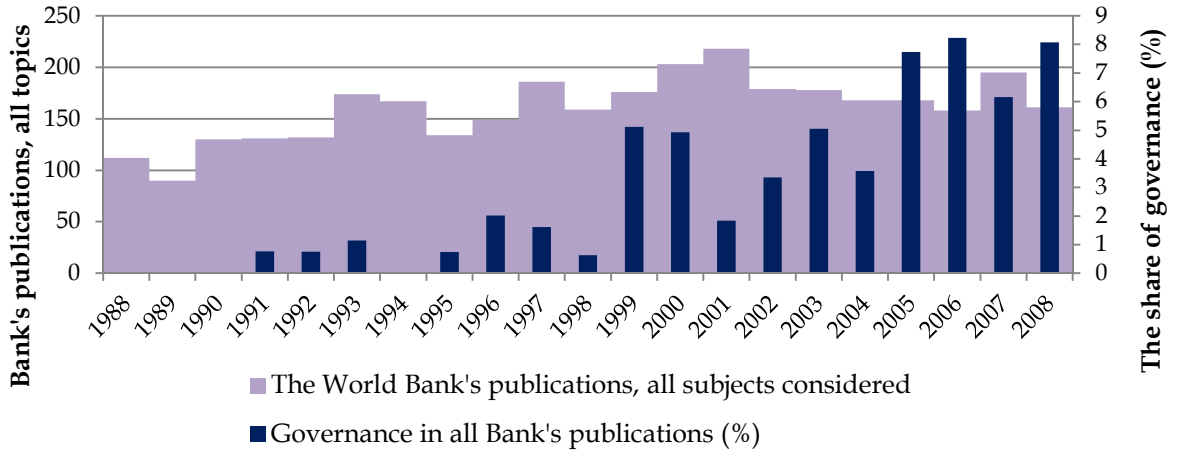
On a yearly basis, *Figure 1* describes both the evolution of the worldwide scientific production on governance: left ordinate axis and light color stair form representation; and the specific contribution of the Bank to this production, right ordinate axis. The worldwide publications on this issue have increased in a quasi-permanent way since the early nineties. Accelerating at the end of the empirical period when 800 publications a year are recorded against ten at the beginning of the 1990s. Within this production, the Bank's share has varied from less than 1% to more than 3%. This share decreased as the world scientific community displayed a greater interest for the

[91] The problem with the subject classification is that some publications are often put in multiple areas simultaneously. This fact could lead to an overestimating of the weight of individual subject areas. So we solved this issue by pooling these three subject areas for our analysis sample.
[92] The bibliometric analysis ends in April 2009

topic, while the pioneering role of the Bank reduced. The peak of the share is achieved for the period 1999-2000 when the organization showed renewed interest for the analysis of the governance issue, especially through the *Comprehensive Development Framework* (CDF) program and the launch of the project on the WGIs. After this period, the Bank's relative contribution declined to represent only 1.5% in 2008.

In Figure 2, we assess what the governance issue represents within the total academic publication of the Bank. As in Figure 1, a double graduation is used on two different axes. On the left hand side, the number of total publications is considered, while on the right we refer to the intra-organizational share of the governance theme. The scientific production of the Bank varies from 150 to 200 publications a year with a peak in 2001. Governance publications show an increasing trend, passing from a share of 1% or less from 1988 to 1992 to about 8% over the period 2005-2008.

Figure n°2 : Governance in the Bank's publications (1988-2008)



Sources: authors' calculation from ISI web of science.

Table n° 1 : The World Bank and publications on governance (1988-2008)

Subject areas	Nature of Publications	Total WB's publications and governance share in parentheses (%)		Worldwide publications on governance and the WB's share in parentheses (%)	
		Number	Citation	Number	Citation
Economics, planning and development	Articles and reviews	2792 (2.43)	38562 (1.87)	2432 (2.8)	21452 (3.4)
	Proceedings paper	501 (4.4)	3465 (3.08)	725 (3.04)	4115 (2.6)
	Total	**3912 (2.4)**	**42824 (2)**	**3723 (2.52)**	**25913 (3.2)**
Business and finance	Articles and reviews	550 (2.54)	7982 (4.6)	706 (2)	10815 (3.4)
	Proceedings paper	132 (6.8)	1348 (1.55)	238 (3.8)	2715 (0.7)
	Total	**766 (3.26)**	**9397 (4.11)**	**995 (2.5)**	**13606 (2.84)**
Political Sciences and International Relations	Articles and reviews	294 (1.4)	1763 (0.8)	1690 (0.2)	8580 (0.1)
	Proceedings paper	39 (2.56)	207 (0.5)	323 (0.3)	1454 (0.06)
	Total	**439 (1.6)**	**2042 (0.83)**	**2821 (0.24)**	**10199 (0.16)**

Sources: authors' compilations from ISI web of science

Table 1 displays cumulative statistics dealing with governance over two decades (1988-2008) and three scientific domains. Influences are alternatively measured through the intra-organizational academic production (columns 3 and 4) and the worldwide publications (columns 5 and 6). Both the number of papers and enhanced associated citations are considered in absolute and relative terms, the second item in parentheses being interpreted as an impact factor.

For the World Bank, *Economics, planning and development* is by far the most important field of publication, totaling nearly 4,000 articles or papers, four times more than the cumulative production of the two other reviewed domains. On average, each of these publications has been cited more than 10 times. These scores represent 2.5% of the total publications of the Bank and 3.2% of the citations. This is less than the performance obtained for *Business and finance:* 3.3% and 4.1%, respectively, although percentages are close when market shares in worldwide publications and citations about governance are considered. Of the three scientific fields, only P*olitical science and international relations* proves to be a marginal area for the Bank. Several reasons

can be put forward to explain this fact, including the belated interest for political issues in accordance with the apolitical nature of its articles of agreement. Focusing on the two first subject areas, the international market share of the Bank tends to be higher when the citations are considered, reflecting either the quality of the publications or the diffusion of the journals in which the research is published.

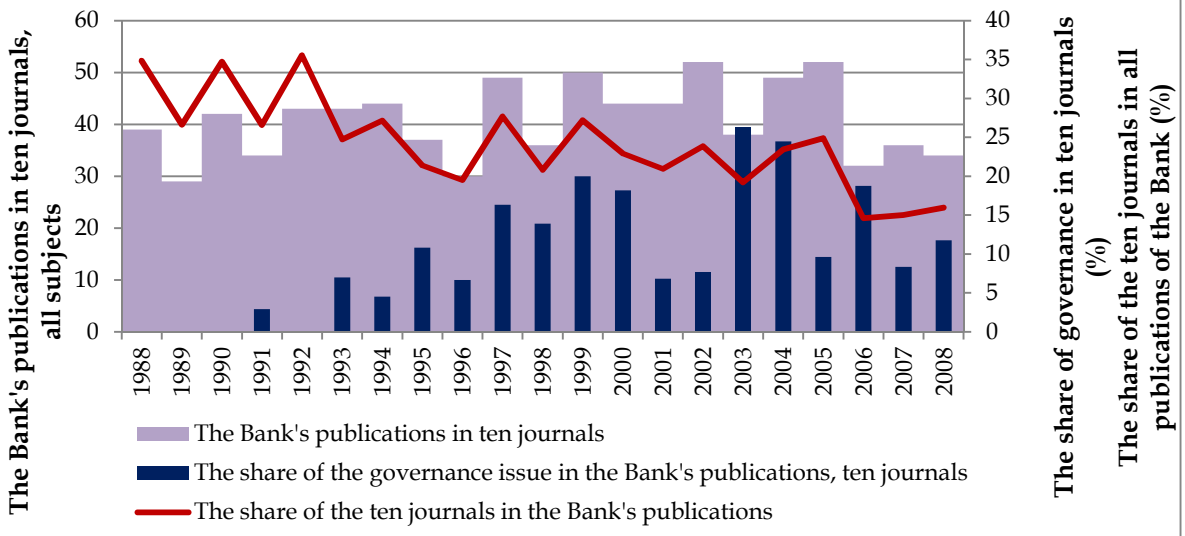
The methodology deployed for this empirical analysis admits evident limitations that have to be taken into account in interpreting the results. As already mentioned, the concept of governance is shared by multiple scientific disciplines making its delimitation difficult. In addition, some restrictive rules condition this exercise. A paper is considered to deal with "governance" when the term is explicitly used in the title, abstract or keywordss. This convention enhances an undervaluation of the publications of the 1980s, when the governance concept was conveyed by other lexical terms[93]. To avoid such a bias the automatic research procedure has been complemented by a manual mechanical counting in ten of the most important academic journals, including those which are the main sources for the Bank's author publications (see Table 2). In doing so, attention has been paid to the theme itself and not to a lexical list. These ten journals are : *The American Economic Review, the Quarterly Journal of Economics, the Journal of Development Economics, World Development, Economic Development and Cultural Change, The World Bank Economic Review, The Journal of African Economies, The Journal of Development Studies, The Journal of Comparative Economics* and *Economics of Transition*.

Figure 3 has been elaborated according to the same principles used for *Figure 2.* The number of the Bank's articles in the ten aforementioned journals and the relative contribution of the governance issue are given on the left and right axes, respectively. The dark curve reflects what these economic journals have represented for the total publications of the Bank. About 40 papers have been published annually in the ten journals over the period 1988 -1994, against 50 per year from 1997 to 2005 and about 30 for the most recent years. Within this production, the governance issue rose

[93] For instance, the well-known 1989's report of the World Bank, *Sub-Saharan Africa: from crisis to sustainable growth* (World Bank, 1989) was its first report indexing explicitly the issue of governance as the key factor of weak economic performance in African countries while the French version of the report used the term "government" instead of "governance".

steadily to a peak reached in 2003 and 2004. Then, the share, which was 25%, fell to its 1995 level (10%). While the governance item declined after the mid 2000s, the contribution of what the selected journals have represented for the Bank also witnesses long term erosion. As the ten journals we refer to are among the most influential ones in the world, the evolution of the dark curve may suggest a significant loss of qualitative impact in the production of knowledge or simply a problem of diminishing returns of specialized research topics. The contribution of the ten journals to the total publication of articles by the Bank falls from 35% in 1988 to about 15% in 2008.

Figure n°3 : Governance and articles published by the World Bank: ten journals (1988-2008)



Source: authors' construction

In *Table 2*, we bring attention to the Bank's authors who published the most, as well as to the main academic journals and institutional affiliations when the Bank's papers have co-authors. The total production of papers is distinguished from the papers dealing with governance. External collaborations with the Bank prove diverse, although the most important are those with the universities and other international organizations such as the IMF. Within the organization, Djankov has been the most

active searcher on the governance issue with 85% of his publications being focused on this subject against 40% for Dollar and 33% for Easterly. *World Development* for the specific issue of governance is the most frequently used media for publications. It represents about 10% of the Banks' academic papers in these journals.

Turning to the main collaborative institutions and using Hall 's expression to contrast schools of economic thought, we observe that most of the universities are from the school of American "saltwater" economics. The East coast (Harvard, MIT Maryland, Columbia) outperforms the west coast (Berkley). Surprisingly, on this specific issue, there is no place for the "freshwater" economists, those who have professed skepticism as regard the benefits of government interventions (Chicago, Carnegie Mellon, Rochester, Minnesota…), and shaped mainstream economics from the end of the 1970s to the beginning of the 1990s with pro-market governance. In addition, European collaborations are quite few, limited to some well-established English academic institutions (Oxford, London, Cambridge). However this comment has to be taken cautiously because some publications with the Bank's affiliation do not come from economists with a permanent attachment to the organization.

To summarize this section, academic publications and citations of papers play a significant role in the production of the "knowledge bank", contributing to strengthen the *soft power* of the organization. This soft power dimension is also present when the Bank establishes a dialogue with developing countries and the donor community in accordance with the CDF principles. Contrasting with this kind of influence is the *Hard power* which operates as an inducement, and sometimes as a threat. The leadership of the Bank is therefore made up of a balance between *soft* and *hard* power, a combination which leads to what some may refer to as *smart power* (Nye, 2004). The next section explores the effectiveness of these powers and the reactions of international development community.

Table n° 2 : Articles in ten of the most important academic journals (1988-2008)

Cluster	The Bank's authors	Main academic publications	Affiliation of external co-authors
The World Bank publications all subjects	Ravallion, M (34) Glewwe, P (16) Deininger, K (15) Alderman, K (14) Djankov, S (13) Claessens, S (12) Dollar, D (10) Schiff, M (10) Collier, P (9) Easterly, W (9)	World Development (211) World Bank Economic Review (205) Journal of Development Economics (130) Eco. Develop and Cultural Change (94) Journal of Development Studies (54) Journal of Comparative Economics (45) Journal of African Economies (42) Economics of Transition (34) American Economic Review (22) Quarterly Journal of Economics (20)	Harvard U. (25) U. Maryland (24) IMF (24) IFPRI (18) Univ oxford (14) U. Berkeley (13) U. Carolina (13) Johns Hopkins U (11) MIT (11) Columbia U (10)
The World Bank publications governance only	Djankov, S (11) Svensson, J(5) Dollar, D (4) Easterly, W (3) Hallward-Driemeier, M (3) Knack, S (3) Xu, LXC (3) Cull, R (2) Deininger, K (2) Hoff, K (2)	World Development (21) World Bank Economic review (10) Journal of Development Economics (9) Eco. Develop and Cultural Change (8) Quarterly Journal of Economics (8) Economics of Transition (8) Journal of Comparative Economics (8) Journal of African Economies (6) American Economic Review (4) Journal of Development Studies (4)	Harvard (8) Yale (4) U. Maryland (3) MIT (3) Peking. U (3) Berkeley (2) Columbia (2) Georgetown. U (2) London S.E (2) Manchester (2)

Note: the number of articles is in parentheses. Source: authors'compilation from the *ISI Web of Knowledge* website Institute for Scientific Information, Thomson Reuters.

IV. The Bank's smart power and governance doctrine: implications for the international community

1. The Bank's soft power within the international community

Figure n°4 portrays the main interrelationships between the Bank and its external environment by focusing on governance. The relationships with the donor community will be explored further. At this point, we simply call attention to the fact that the organization has some power over international donors, in building a participatory process (e.g., cognitive interactions) to shape what good governance

means (Gehring and Oberthür, 2009; Cox, 1992). The Bank has to manage a great diversity of partners, maintaining formal relationships with about 250 worldwide organizations. In Figure 4, these partnerships are represented by six blocks, each of them showing mutual influences on the main Bank's departments where the governance issue matters the most. Direct relationships with the organization are only considered, the thickness of arrows suggesting an impressionistic view about the direction of the prevailing impact among partners[94].

The organization is sensitive to the diversity of the external community, from the traditional universities, which contributed to shape liberal governance, to international civil society which has become an active player over the last ten years. This includes NGOs and after the Porto Alegre social summit, in 2001, radical opponents to the liberal economy, who are gathered in the World Social Forum (see the Bretton Woods Project for periodical releases of critics). All NGOs are not in a protest approach *vis-à-vis* the globalization process and the role of the Bank in the emergence of a neo-liberal worldwide order. Some of them have reciprocal mutual influence with the organization, and contributed to the articulation of governance–based allocation of aid (Alex de Waal, 1997; Plehwe, 2007). Indeed, some NGOs such as the *Heritage Foundation*, *Transparency International*, *Freedom House* and *Political Risk Service* are significant statistical providers of the Worldwide Governance Indicators. The World Social Forum (WSF) stands in contrast to this kind of cooperation. Since its first meeting in 2001, the WSF has been the flagship of the anti-liberal crusade. For the WSF the current architecture of global governance is quite flawed, as it does not take into account real distribution of worldwide power. The rise of the G-20, as an attempt to build new global governance, supports some of the WSF points of view. However, the Forum condemns what the Bank's pragmatism sees as "acceptable" governance for its own bureaucratic interests, especially for aid disbursements (Woods, 2000; Weaver 2008). Also, the WSF demands a greater credibility in the reduction of the gap between the rhetoric and the effectiveness of decision-making.

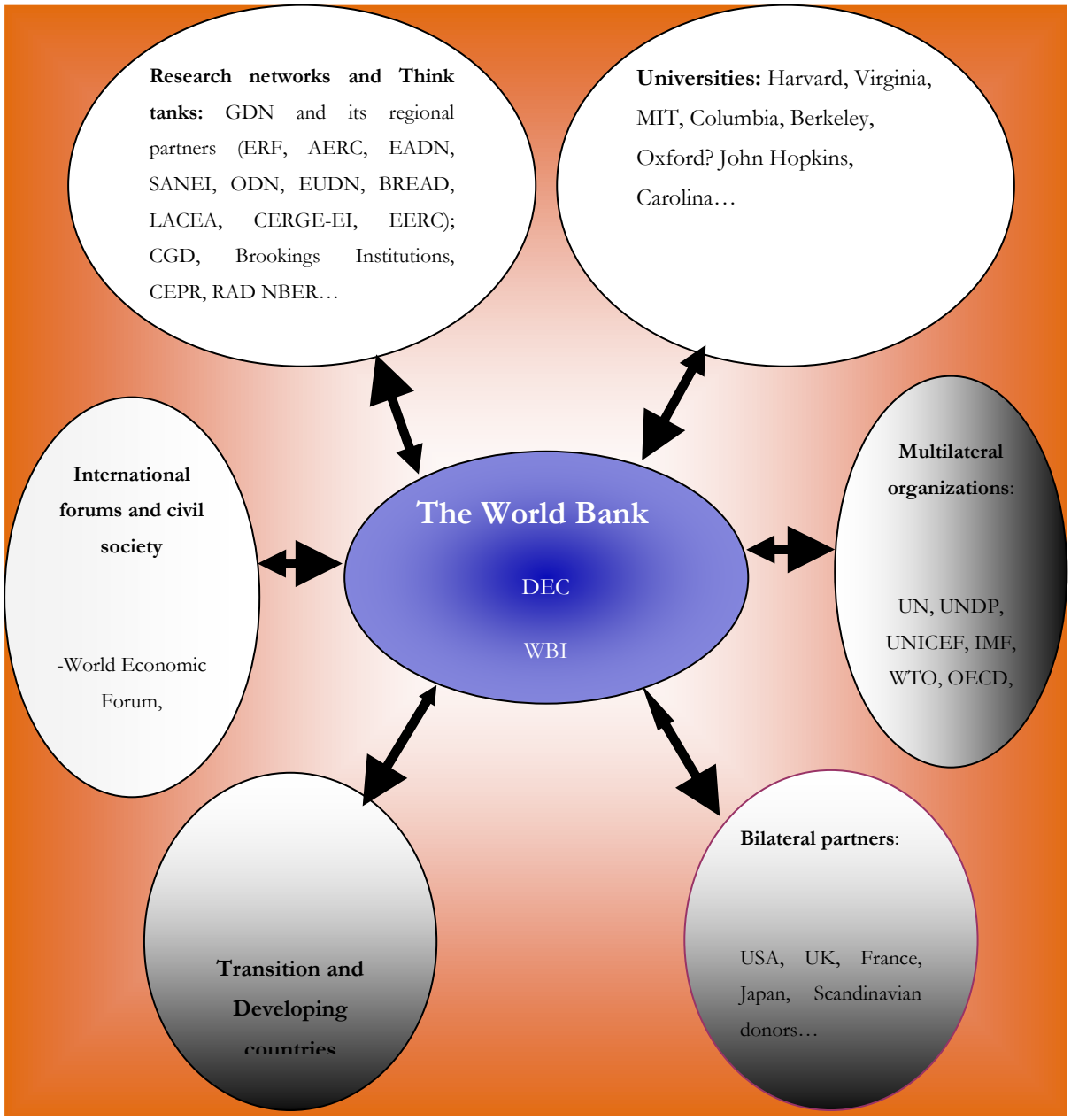
[94] In reality the influence varies across countries. The relationship between the Bank and the USA is likely to be more complex than with any other country.

The role of external academic spheres is not to be neglected. Some of them are very influential in shaping and in diffusing the neo-liberal governance doctrine. These institutions are not subordinated although certain dependence may arise through the allocation of financial resources to research programs. The research network goes beyond universities and also includes cross sectional structures such as the *Global Development Network,* which was created on the Bank's initiative in 1999. Indeed, the GDN, which was hosted by the Bank in Washington up to 2005 when it moved to India, is an independent international organization with some regional partners worldwide. The GDN still works in a narrow collaboration with the Bank, especially with the WBI and the DEC on some questions related to the production or the diffusion of knowledge about governance. Beyond financial links some former Bank staff economists have had high level responsibilities in the GDN including in its regional representation. Similar influences also arise with the Center for Global Development (CGD) and other organizations. American foundations also matter as they generally share the Bank's liberal vision, especially as regard the policy for poverty reduction goals. They act on civil society and especially on the research communities, influence public decision-making and the ability of governments to commit. Most of the "think tanks" are located in or close to Washington DC, and maintain subtle relationships with the Bank.

The World Economic Forum (WEF)[95] has been related to the World Bank governance agenda through the *Global Competitiveness Report* and the production of the *Global Competitiveness Index (GCI)* since 1979. It initially influenced the conceptualization of the World Bank approach to economic governance, and the benchmarking procedure, especially when the *Doing Business* Project was launched. Mutual influences between the WEF and the Bank are evident. This is tangible when crossed-components are considered for the construction of indicators. Bilateral cooperation with regional development banks is also strong to harmonize what governance should like.

[95] Unlike the WEF, the Trilateral Commission is supposed to have an unofficial influence on the World Bank's governance approach even though it activities remain almost closed to public disclosure.

Figure n° 4 : The Bank's governance and its international networking



International and regional networks: Global Development Network (GDN), Economic Research Forum (ERF), African Economic Research Consortium (AERC), East Asian Development Network (EADN), South Asia Network of Economic Research Institutes (SANEI), Oceania Development Network (ODN), European Development Research Network (EUDN), Bureau for Research and Analysis of Development (BREAD), Latin American and Caribbean Economic Association (LACEA), Center for Economics Research and Graduate Education - Economics Institute (CERGE-EI), Economics Education and Research Consortium (EERC), Center for Global Development (CGD), Center for Economic Policy Research (CEPR), Researcher Alliance for Development (RAD), Development Economics vice-presidency(DEC), World Bank Institute (WBI), International Finance Corporation (IFC), Poverty Reduction and Economic Management Network (PREM). Sources: authors' construction

2. The Bank's governance indicators and its smart power for aid allocation policies

Most of the elements contributing to the "Knowledge Bank" participate to strengthen the Bank's *soft power*. Such a dimension is also present when the Bank sets up the dialogue with developing countries and the donor community in accordance with the CDF principles. Governments define their development strategy by promoting dialogue among stakeholders. The leadership of the Bank lies in its ability to communicate and persuade partners, to shape their preferences and lead them to acquiescence. Soft power in public aid allocation means the ability to convince the recipient that there is no doubt about what "good governance" principles are as well as to act in accordance with these principles.. On the other hand, there is the hard power which operates as an inducement, and sometimes as a threat, reminding the IMF catalytic role in the eighties, for countries demonstrating little commitment or reneging on initial commitments. This section briefly describes the WB's governance indicators which are supposed to condition the Bank's system of allocation of financial resources. We follow this with an investigation into how these indicators may influence donors, and propose an econometric test to determine whether new financial commitments correlate with them or not.[96]

2.1. The governance indicators: CPIA, WGI and doing business.

The World Bank produces three main indicators dealing with governance. The oldest, which has also been the least diffused outside the organization, is the *Country Policy and Institutional Assessment*. The *CPIA*, which has kept some hidden characteristics as regards the way it is constructed, is paradoxically recognized by some donors as the most influential of the three indicators. This is especially true for commitments in favor of IDA eligible countries, but also for some other donors (Van Waeyenberge, 2009). At the end of the 1990s the socio-political dimension of

[96] In *Assessing aid*, which proved to be an influential publication of the Bank, governance was conceived as a crucial element of aid effectiveness, contributing to drive resource allocations (World Bank, 1998; Burnside and Dollar, 2000, Collier and Dollar, 2001; Santiso, 2001). This perception was strongly debated in the literature as good governance can be endogenous to structural vulnerabilities (Guillaumont and Chauvet, 2001; Van Waeyenberge, 2009). *Soft power* provides information on the quality of governance while *hard power* potentially applies when aid disbursement is interrupted because of poor governance-based performance

governance took an increasing importance in the World Bank's agenda. The *Worldwide Governance Indicator* resulted from this concern. This socio-political dimension was completed, in 2003, by the *Doing Business* indicators that depict to what extent the domestic economic and institutional climate supports private sector development[97].

2.1.1. The Country Policy and Institutional Assessment (CPIA)

The CPIA, originally the Country Performance Rating (CPR) was established in 1977. It relies on an assessment process based on the Bank's staff opinions. Since 1998, two additional clusters have been added to the initial ones: the social inclusion dimension (cluster C) and the governance dimension (cluster D)[98] (World Bank, 2010). The CPIA measures how the domestic policy and the institutional framework support sustainable growth and poverty reduction. Accordingly, this indicator reflects the role of the governance issue and conditions aid effectiveness. By adding a social and political dimension to the CPIA, the World Bank joined the wave of the "augmented" Washington Consensus (Van Waeyenberge, 2009).

The CPIA is a key element in the system of IDA- Performance-Based Allocation (PBA). This allocation takes into account several criteria including the size of the population, the Bank's portfolio performance and the level of economic development of member countries. With the "IDA 16" replenishment process, the governance component accounts for 68% in the weighting pattern of the CPR[99]. The CPIA has

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[97] This narrow list of the World Bank's indicators could be extended with others benefiting from a more limited international statistical coverage. This is the case for the indicator of the *Database on Political Institutions* both conceived and followed by the World Bank's research department since 2000. The DPI explicitly deals with the nature of political regimes worldwide.

[98] The 4 clusters are: A. Economic Management (Macroeconomic Management, Fiscal Policy, Debt Policy); B. Structural Policies (Trade, Financial Sector, Business Regulatory Environment); C. Policies for Social Inclusion (Gender Equality, Equity of Public Resource Use, Building Human Resources, Social Protection and Labour, Policies and Institutions for Environmental Sustainability); D. Public Sector Management and Institutions (Property Rights and Rule-based Governance, Quality of Budgetary and Financial Management, Efficiency of Revenue Mobilization, Quality of Public Administration, Transparency, Accountability, and Corruption in the Public Sector). For each of the 16 criteria, countries are rated on a scale of 1 (low) to 6 (high)

[99] (i) Capped blend countries, whose allocations are capped at levels below what the PBA formula would allocate to them; (ii) post-conflict and reengaging countries, where IDA can provide special support for their recovery and development needs; (iii) arrears clearance operations; (iv) regional projects that play a key role in regional integration and/or regional public goods; and (v) exceptional allocations in the aftermath of natural disasters. These exceptions represent sometimes 1/3 of the IDA total resources (World Bank, 2010).

some users outside the Bank, especially in regional multilateral banks (e.g. African Development Bank (AfDB), Asian Development Bank (ADB), Inter-American Development Bank (IADB)), which have adopted the same methodology, using sometimes the same denomination of items and marginally modifying either the definition, the components or the weighting pattern.

2.1.2. The Doing Business project database

The *Doing Business* (DB) project was initially inspired by some studies conducted by de Soto in the Lima suburbs in the 1980s, but also by the World Economic Forum through the Global Competitiveness Report. Influences between the Bank and the Forum have become much more mutual with clear interactions between the two institutions. Indeed, some information from DB is incorporated into the benchmarking procedure of the WEF for the measurement of international competitiveness. Laporta, Lopez de Silanes, Shleifer and Vishny (LLSV) have extended the pioneering empirical work through the IFC/World Bank team of the *DB* led by Djankov. The *DB* Project aims at reducing the burden of business regulatory rules, notably transaction costs, in order to enhance economic competitiveness of countries. The first edition of the report, launched in 2003, covered 5 indicators in 133 countries: *Starting a business, Employing workers, Getting credit, Enforcing contracts, Closing a business*. This list, which was enlarged in 2006, now contains 10 indicators, the 5 additional ones being: *Dealing with construction permits, Registering property, Protecting investors, Paying taxes, Trading across borders*. In the 2009 Bank's report, a survey on the business regulatory environment was implemented permitting an assessment of the ability of countries to reform during difficult times (World Bank, 2009). The data collection is made through readings of laws and regulations where the criteria are time, motion and cost indicators measuring efficiency in achieving a regulatory goal[100]. The *DB* database seems to

[100] By soliciting legal practitioners or professionals who regularly undertake transactions, *Doing Business* Project differs from other business environment surveys. For instance, the *Investment Climate Assessment* (ICA), which is also a World Bank research program, refers to the feeling of private managers and then appears more sensitive to subjectivity than the *Doing Business*. Indeed, managers may reject the responsibility of the economic inefficiency to the external environment they have to assess.

impact donors' aid allocation systems as demonstrated, for example, by the eligibility criteria for benefiting from the US *Millennium Challenge Account* (MCA).

2.1.3. The Worldwide Governance Indicators

The WGI, were launched in 1999 defining governance as the traditions and institutions by which authority is exercised in a country[101]. "Governance" is assessed for about 200 countries through six dimensions: *Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption* (Kaufmann et al, 2008). The WGI have probably become the most important database dealing with the political dimension of governance. The WGI are not considered as accomplished "state of art", and the way they are constructed is periodically adjusted according to both internal and external thinking. This strategy illustrates the smart power of the Bank, where the willingness to take the lead on the definition of the indicators combines with openness to the participation of other donors in helping to shape a common knowledge on what good governance is. However, it should be noted that donors are consulted on indicators but, to some extent, not recipients which is amazing since participation is one of the governance virtues. Recipients are only consulted through the World Bank Institute approach of governance diagnostic.

The three governance indicators are all influential, but nevertheless criticized within both the academic sphere and the donor community. One of the problems is that some components overlap. This can contribute to certain coherence but is also confusing. The CPIA is one of the multiple data sources of the WGI, but the Bank staff also refers to the WGI in the building process of the CPIA (Devarajan and Jonhson, 2008). In the same vein, the Doing Business indicators guide the assessment of regulations during the rating process of the CPIA (cluster B).[102].

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[101] This includes "the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them;".The initial team of the *Governance Matters project* was composed of Kaufmann, Kraay and Zoido-Lobaton, Mastruzzi replacing Zoido-Lobaton after the first edition.

[102] Arndt and Oman, 2006; Kaufmann and Kraay, 2008; Razafindrakoto and Roubaud, 2010; Devarajan and Jonhson, 2008; Williams and Siddique, 2008, Langbein and Knack, 2010).

As with any approach resulting from expert judgment evaluations, the procedure underlying the construction of indicators also raises critical comments. Some authors emphasize the potential arbitrariness accompanying the data collection, the weighting pattern of components, or the insufficient theoretical foundations of the CPIA (Van Waeyenberge, 2009; GTZ, 2008). In addition, this indicator does not take into account the impact of structural vulnerability or the poverty of the human capital (Kanbur, 2005; Guillaumont 2009). The WGI are criticized for the lack of strong theory underlying the six components, and the normative interpretation of components is not always clear, and all of them do not satisfy the orthogonality principle to provide a clear weighting pattern (Grindle, 2007; Andrews, 2008). For instance, Langbein and Knack (2010) argue that the different components of the WGI are closely related and tend to deliver the same message by using different words. Last but not least, the *Doing Business* database has some weaknesses (Arrunada, 2007; World Bank, 2008). The liberal conception of the market economy goes hand-in-hand with the potential excess of "shortermism", especially in the management of labour contracts[103]. Moreover, regulations can be used to reduce abuses – e.g, monopolies; imprudent behavior; respect for safety of workers; workers conditions; environmental consequences etc. So it should not be assumed (as the doing business indicator does) that less necessarily means better.

2.2. The World Bank and the international donor community.

2.2.1. What influence do bilateral and multilateral donors recognize?

With the end of the ideological competition, some bilateral donors including the United States, put pressure on the Bank for more active support for political governance reforms. The bilateral delegation of powers to the Bank has something to do with the so-called Buchanan's Samaritan dilemma problem (1975)[104]. Indeed, some countries have the will to maintain financial assistance to low income countries,

[103] Indeed, among the most regular critics running counter Doing Business data, one could notify the bias in favor of formal and urban sectors, the oversight of recurrent transaction costs compared to initial costs, then the weakness in taking into account the substitution effect between present and future and the lack of distinction between deliberate procedure and restricting procedures (Arrunada, 2007).

[104] James M. Buchanan, "The Samaritan's Dilemma." in Edmund Prelim, ed., *Altruism, Morality and Economic Theory* (New York: Russell Sage, 1975), pp. 71-85.

but don't want to intervene themselves in those countries' economic and political reform agendas. The multilateral frame looks more appropriate to do it. But other motivations have been the will to promote an efficient coordination among the donor community through the *Special Partnership for Africa* (SPA), and the willingness to let the Bank go ahead and show the way. Indeed, the African discourse on good governance was primarily the result of international civil servants working in representations of international organizations such as the World Bank or UNDP. These are often the sponsors of studies conducted by African experts on local systems of governance. The development of precise terms of reference of these studies allows them to distribute their own criteria of good governance through which the politico-administrative systems in Africa are closely scrutinized. The organization of conferences is also the opportunity to produce a discourse on good governance (Loada, 1997).

When examining the position of the main bilateral donors on the governance issue, some discrepancies arise on the conception and the operationalization of aid policies. France's commitment to the new political governance doctrine goes back to the *La Baule declaration,* in 1990, and the France-Africa summit which was held in Ouagadougou, in 1996. The specific theme of this summit was: "good governance and development". Ten years later, governance criteria had entered somewhat in the aid allocation system. Traditional geographical distribution of France's financial flows are affected by an historical "path dependency" which proves to be a source of allocative inertia. Because of its former colonial power and its deep implications in the design of present cooperation, France faces difficulties in promoting a policy of rewarding good governance. However, in 2006, the French Ministry of economy joined the club of governance indicator producers, elaborating "institutional profiles" with the ambition of highlighting the main institutional factors that determine the economic take-off of successful countries.

The United Kingdom's approach to governance differs somewhat from the French vision, as it relies on the development of a participatory-based assessment procedure. In other words, the assessment is jointly made with recipient countries. Through

Drivers of Change (DOC) developed by DFID since 2003, governance starts with a political economy analysis which is quite comparable to the diagnostic surveys that the Bank implements on governance and anti-corruption. Thus, the diagnostic of governance through a participatory process potentially increases the willingness to implement solutions (Chhotray and Hulme, 2009). Such an approach contrasts with that of the aggregate indicator where foreign aid is allocated across countries according to their international ranking. Beyond the DOC, UK aid is also influenced by the Bank's CPIA rating system. This is especially true for fragile states where the governance issue is challenging because of overlapping exogenous constraints and endogenous political behaviors[105] (DFID, 2005).

The relationship between the USA and the World Bank reflects the complexity of the analysis when examining "soft" and "hard" powers of the organization. Some authors have talked about a hegemonic influence of USA on the way the World Bank perceives the governance issue (Wade, 2001, 2002; Stein, 2008, Weaver, 2008; Mikesell, (2001). But reciprocal influences do exist. Among the three channels of US aid only one seems to have been under the influence of the Bank's governance indicators for commitments. Indeed, six of the sixteen criteria underlying the *Millennium Challenge Account* (MCA) system are totally based on the World Bank governance indicators. Five come from the WGI and one from the *Doing Business* project. While US department funds are allocated according to strategic considerations, US-AID does not explicitly integrate governance criteria in its allocation formula, although this agency has undertaken governance assessments. More than social aspects, the economic effectiveness and political considerations prevail in the design of the US governance agenda (Chhotray & Hume, 2009).

The Japanese attitude is quite similar to the US position. Most scholars have shown that Japanese aid behaves by being significantly influenced by the US aid system (Katada, 1997). Four different ministries participate in aid allocation, each of them pursuing different motives. Strategic considerations predominate in Latin America and Asia, the same main geographical areas as the USA. Accordingly, Japanese aid

[105] Yet, that leads to differences with the World Bank categorization of LICUS (Low Income Countries Under Stress) and has to face critics estimating that fragile states are defined following fragile criteria.

allocation is not explicitly based on "good" governance criteria, although some financing can be dedicated to governance related sectors, especially in Africa and Asia. By its multilateral aid contributions, Japan collaborates with the World Bank Institute, but also with the United Nations through the United Nation Democracy Fund.

As well as the aforementioned positions adopted by large industrialized economies, the case of Northern European countries such as Sweden, Norway, Finland, Denmark or Netherlands is also interesting. Some authors consider that these countries are particularly sensitive to the Samaritan dilemma (Svensson, 2000; Hagen, 2006; Epstein and Gang, 2009). Accordingly, they delegate the management of significant parts of their aid to multilateral organizations, mainly the World Bank. In addition, as they are sensitive to question about governance, when providing non-delegated budget support, they prove to be influenced by the CPIA ratings.

The United Nations Development Program (UNDP) approach of good governance appears few years later after that of the World Bank. Indeed, its first regional meeting organized in sub-Saharan Africa was held in 1994 in Arusha. Unlike the World Bank, in the approach of the UNDP, a secondary place is given to economic aspects of governance while its political character is highlighted, notably by integrating the relationships between the state and civil society. The UNDP uses mainly the term "democratic governance" to describe the process of decision making that involves all stakeholders rather than the nature of political regimes. In the process of operationalizing the concept, the UNDP has established the Centre on Governance (UNDP, 2007). It focuses on parliamentary development, electoral systems and processes, human rights, justice, media and access to information, decentralization and local governance, reform of the administration and anti-corruption measures. In agreement with the country in which it is located, the UNDP chooses aspects of governance on which it is desirable to concentrate. However, with respect to its mandate, the UNDP does not apply any conditionality or selectivity of official development aid. Its interest in governance aims to support countries wishing to undertake reforms in this area. Meanwhile, difference in the use of indicators may be

explained by the fact that the UNDP's support is fully in grant form unlikely the World Bank's one which is in the form of concessional loans.

The African Development Bank (AfDB) has defined it vision of governance in it annual report in 1999 which defined good governance through five elements: accountability, transparency, fight against corruption, involvement of all stakeholders, legal framework (AfDB, 1999). While recognizing the link between democracy and good governance, the AfDB remains very careful in taking into account its political dimension (AfDB, 2001). However, since 2002, the AfDB undertakes diagnostic studies on patterns of governance in each member country. These studies are often conducted in partnership with other donors such as the UNDP and the World Bank. Moreover, since 2005, AfDB adopted the general framework proposed by the WB's CPIA and integrates it into its system of aid allocation, with incorporation of some changes in the weights and components of the indicator.

The Asian Development Bank (AsDB) was among the first regional multilateral development banks which take a position on governance issue. In 1995, it conceived governance as a healthy development management that combines the notion of "good government" (AsDB 1995). Even though the AsDB was interested early in the concept of governance, it waited until 2005 before explicitly incorporating it into aid allocation process. To this end, AsDB uses the framework of the CPIA and CPR of the World Bank to define its model of aid allocation based on performance (AsDB, 2004). The difference is in the weighting given to governance for aid allocation.

The Inter-american Development Bank (IaDB) has adopted in 2002 new criteria for allocating concessional assistance taking into account both the performance of countries with traditional measures associated with the need, equity and efficient use of resources. The new allocation method is directly inspired by the WB. It integrates the canvas of the CPIA but the weighting game differs somewhat with the approach of the WB. Since 2004, the IADB also began an assessment of governance profiles of the partner countries.

Through the governance network (GovNet), the OECD-Development Assistance Committee (DAC) provides an opportunity for bilateral and multilateral donors to compare, discuss and coordinate views on governance in accordance with the *Paris declaration* on Aid Effectiveness. On this specific issue, the 2009 OECD report gives the flavor and summarizes the different donor approaches (OECD, 2009).

Table n° 3 : The World Bank and governance assessments by bilateral and multilateral partners

Partners	Assessment tool denomination	Data type	Governance aspect	Involvement of the host country	influence of Bank's indicators
AfDB	Country Governance Profile (P)	QL	E	NS	WGI
	CPIA (I)	QT	E	NS	CPIA
AsDB	CPIA (I)	QT	E	NS	CPIA
	Governance Risk Assessment and Risk management (I)	QL	E	S	-
EC-EDF	Governance profiles (P)	QT-QL	E	NS	WGI
AsDB	CPIA (I)	QT	E	NS	CPIA
	Governance Risk Assessment and Risk management (I)	QL	E	S	-
IaDB	Country Institutional and Policy Evaluation-CIPE – (I)	QT	E	NS	CPIA
	Democratic Governance and Institutional Assessment (P)	QT-QL	P-E	S	-
France	Institutional profiles (I)	QT	E	NS	WGI
Germany	Catalogue of criteria: assessing development orientation (I)	QL	E	NS	CPIA, WGI
Netherlands	Strategic governance and corruption analysis (P)	QL	P-E	NS	CPIA
	Stability Assessment Framework (P)	QL	P-E	NS	-
UK	Country Governance Assessment (I)	QT-QL	E	NS	WGI
	Drivers of change (P)	QL	P-E	S	-
	Strategic Conflict Assessment (I)	QL	P-E	NS	CPIA
USA	MCA (I)	QT	E	NS	WGI, DB
	USAID-Democracy and Governance Strategic Assessment Framework (P)	QL	P-E	NS	WGI

Note : I = indicator and P = profile. For the row data type: QL = qualitative and QT = quantitative. For the row Governance aspect: E = economic and P-E = political economy. For the row host country involvement: S = significant participation and NS = non significant participation. DB = doing business. EC-EDF = European Commission/European Development Fund; AfDB = African Development Bank; AsDB = Asian Development Bank; IaDB = Inter-American Development Bank.

Sources : From OECD (2009) and authors compilation of various national documents

Table 3, which has been partially collated from the aforementioned source, shows how donor governance assessments vary across countries and organizations. Some donors use one or several indicators while others prefer the establishment of profiles. Some incorporate quantitative indicators while others refer to qualitative ones. Some assessments are exclusively based on economic indicators while others incorporate

political economy judgments or measurements, so avoiding excess focus on a universal governance doctrine (Anderson, 2008; OECD, 2009). The Bank's influences vary according to donors and governance indicator but also according to the assessment tools which are considered**.** The influence of the Bank through the previously discussed governance indicators is indicated by the last column on the right.

Through the European Development Fund (EDF), the European Commission (EC), which is the largest worldwide grant provider, has included "good" governance as an essential element of the *Cotonou Agreement* in 2000. In the preamble of this agreement, the parties acknowledge the critical importance of a political environment that is conducive to development, as well as the primary responsibility of the ACP States for creating such an environment. This explains why ACP-EU cooperation is underpinned by a basic set of political principles and values that each of the parties is supposed to respect. The rules of the game include three "essential" elements (i.e., respect for human rights, democratic principles and the rule of law) and one "fundamental" element (i.e. good governance). The violation of these principles may lead to partial or complete suspension of development cooperation. In 2006, the *Thematic Evaluation of the EC support to Good Governance* (EC, 2006) and later on the ACP *governance profiles* have re-stated the EC interest for this subject. The Bank exerts a notable influence on the EC *governance profiles*, notably through its WGI which is considered along with three other clusters. These clusters take into account the social aspect of governance, the regional and international context, and the quality of the cooperation partnership.

Globally, the influences of the WB's governance approach on regional multilateral development banks are mainly channeled through the CPIA as they may be reluctant to consider the political dimension of member states. Meanwhile, it is worth noting that, since each multilateral and bilateral donor has more than one agency through which its aid is delivered, governance considerations do not apply to all these channels. Indeed, as a same donor is likely to pursue multiple objectives, it will build different agencies in order to achieve these various objectives. Therefore, good

governance criterion will be used by an agency depending on its goodness of fit with underlying objective that a donor is pursuing. In the case good governance considerations in recipient countries will conflict with donor objectives or appear to be unnecessary to the fulfillment of these objectives as well as aid efficiency in recipient countries, donors are likely to use special channels which do not take into account governance issues. For instance, this is the case for the World Bank which uses governance criterion only for its aid channeled through IDA. The same remarks can be made to other multilateral and bilateral donors such as USA which use governance only for MCA.

2.2.2. Beyond rhetoric: what do correlations suggest?

A deep econometric analysis addressing the direction of causality between donors' aid allocations and WB governance indicators is beyond the scope of this sub-section. Our ambition here is limited to illustrate a potential role of the Bank by shedding light on correlations.

$$Aid\ commitments_{it} = \lambda_1 Basic\ Model_{it} + \lambda_2 WB's\ Governance\ indicator_{it} + \varepsilon_{it} \quad (1)$$

$$Basic\ Model = GNI + Population + Risk\ (External\ debt\ service) \quad (2)$$

Annual new aid commitments as published by DAC/OECD are the left hand side variable of the regression model we run. Commitments are preferred to disbursements, which are more likely to be determined by the nature of projects (e.g. the difficulty of stopping a multi-annual project because of "bad" governance) (see Diarra, 2011). Cross-sectional estimations are run, the number of observations being determined by the availability of data for the three WB indicators. The first official disclosure of the CPIA dates back to 2005. Average values are then considered over the period 2005-2010. This econometric procedure has the advantage to smooth time series. In table 4, the first regression refers to the basic empirical model reflecting the WB's Performance-Based Allocation system (PBA) from which we only drop out

governance indicators[106]. We assume that all donors share the same rule as the IDA/World Bank, allocating aid according to the population and the per capita Gross National Income as determinants. This strong assumption allows comparing the potential influences of the WB's governance indicators on both its own aid allocation and on those of other bilateral and multilateral donors. The square of these variables is also considered, to control for non-linearity of relationships as well as the external debt ratio to proxy potential financial risks (e.g., the country portfolio performance for the World Bank). For France and the United Kingdom, a dummy variable has also been introduced reflecting historical relations with former colonial territories (see Alesina and Dollar, 2000). Table 4 does not provide regression coefficients of the basic model (BM) and only refers to the adjusted coefficient of determination (see annex 4 and 5 for detailed results). Although this assertion might be qualified for the Netherlands the goodness of fit with the basic model is quite high. The incorporation of governance indicators systematically improves the explanation of the variance of aid with some variations across donors. With respect to these indicators (CPIA, WGI, DB), the contribution of each of them is considered first in a donor-based regression. Then, in an augmented regression the three indicators are jointly considered under the hypothesis that they complement each other (then we assume that multicolinearity problems are negligeable). According to the indicator, adjusted coefficients of determination improve differently across donors.

[106] The Inter-American Development Bank is absent from table 4 for statistical reasons -information about new commitments over the period 2005-2010 is not available for this regional Bank.

Table 4. World Bank's governance indicators and aid allocation (2005-2010)

Basic econometric model (BM) *Without WB's governance indicators*				World Bank governance indicators							
				BM + CPIA		BM + WGI		BM + DB		BM + CPIA+ WGI + DB	
Donors	**Number of Countries**	**R² adj**	**F-test**	**R² adj**	**Partial F-test**	**R² adj**	**Partial F-test**	**R² adj**	**Partial F-test**	**R² adj**	**Partial F-test**
IDA (WB)	72	0.60	36.98***	0.81	30.42***	0.76	4.07**	0.63	10.67	0.81	7.11***
AfDB	31	0.66	13.11***	0.80	14.81***	0.73	1.62	0.73	8.11***	0.76	2.48*
AsDB	18	0.67	17.72***	0.64	0.16	0.80	6.21**	0.65	0.68	0.77	4.78*
EDF (EC)	72	0.56	30.73***	0.56	1.61	0.60	1.77	0.55	0.17	0.59	1.26
France★	65	0.21/0.54	15.20***	0.53	0.02	0.52	0.91	0.53	0.71	0.51	0.78
Germany	67	0.70	35.81***	0.72	4.55**	0.74	1.90*	0.71	2.24	0.74	2.27**
Netherlands	58	0.30	8.02***	0.34	4.90**	0.40	1.73	0.30	2.10	0.42	1.32
United Kingdom★	64	0.62/0.71	59.31***	0.71	0.49	0.70	0.71	0.73	6.05**	0.73	2.26
United States of America	72	0.57	32.78***	0.57	1.07	0.56	1.11	0.59	5.90**	0.57	1.89*

Notes: For each of the donor-based correlation models, the log of average ODA commitments over the period 2005-10 are considered on the left hand side. In the basic model we account for: GNI per capita and the square of this variable, population and its square, and external debt service. For France and the UK a dummy variable is also introduced (★) reflecting past colonial status. *** p<0.01, ** p<0.05, * p<0.1. Aid data come from OECD/DAC online database while governance and the other variables are provided by the World Bank's WDI, 2009. See Annex 4 and 5 for detailed results.

Table 4 displays that the basic model (BM) explains from 21% (France) to 70% (Germany) of the variance of aid allocation over the 2005-2010 period. The introduction of the CPIA significantly increases these correlations, especially for some multilateral organizations such as the World Bank (IDA) or the African Development Bank. Although the role of the CPIA varies a lot across bilateral donors, diversity proves in accordance with what official policies suggest (Table 3). This indicator is influential for the Netherlands (+ 4 percentage points) and for Germany (+2), but non relevant for the European Commission or most important bilateral donors. For the United Kingdom and France, the past colonial history has been introduced in the regression under the form of a dummy variable for countries having the status of a former colony. For France, this dummy gives more information on the rules for aid allocation than any other structural determinant or governance indicator. In other words, with this specification, the adjusted coefficient of determination (R^2adj) rises from 21% to 54%. To a lesser extent this finding also applies to the UK (from 62% to 71%). France is characterized by a strong "path dependency", its assistance being concentrated on its priority solidarity zone (ZSP). This zone overlaps with Sub-Saharan African countries whose structural vulnerability negatively affects the quality of the public management. Accordingly,

although France is engaged in the promotion of "good governance", the relation between aid commitments and WB's indicators proves weak. As regard the United States, although the country has never known external colonial episodes, the relatively low coefficient of determination (0,59 % at best) does not reject an aid allocation based on discretionary political criteria. What additional information do the WGI or the *Doing Business* provide? The World Bank's aid proves sensitive to the WGI, as well as the Asian Development Bank and to some extent the Netherlands. The *Doing Business* is not a key indicator except for the United States in accordance with what the principles underlying the Millennium Challenge account suggest.

Conclusion

The World Bank's model of good governance has been developed over several decades since the end of the 1970s. The normative concept comes from the liberal philosophical tradition, combining the protection of private property, the consent of the governed, and the prevalence of legislative power rather than autocratic forms of rule. The present state of art can be seen as inherited from the age of Enlightenment, but in the eighteenth century, the political dimension had an importance which entered belatedly into the Bank's concept, for historical reasons. In shaping what good governance means, the organization has had to comply with its founding Articles of Agreement as well as some ideological barriers. With the fall of communism some authors thought that universal values of liberalism would spread worldwide, allowing the unity of both political and economic aspects of governance. A long term evolution covering three decades underlies the governance indicators that have been elaborated within the Bank. These indicators focused first on economic aspects (CPIA, Doing Business), and later embraced the political dimension (WGI) of the social liberal contract.

In the design and the worldwide spread of what might be understood as good governance, the Bank and the academic spheres geographically close to its

headquarters played a significant role, especially but not exclusively, through publications. This chapter has made a census of the Bank's publications by using the Web of Science bibliographic database from the ISI Web of Knowledge website. The worldwide publications on governance have dramatically and steadily increased to reach 800 in 2008. Within this production, the Bank's share has varied from less than 1% to more than 3%. Within the knowledge production of the Bank, publications on governance have represented an annual maximum of 8% over the period 2005-08, but with a peak of 25% in 2003-04. So the Bank's message on governance circulated in academia, suggesting a deliberate search for a qualitative effect, using knowledge production as an effective channel to strengthen the influence of the organization.

As well as publications, training and learning activities were also important, as were the elaboration and calculation of the governance indicators we referred to. In shaping the concept of good governance, the Bank combined both *soft* and *hard* power. Soft power comes from the Bank's ability to develop the attractiveness of liberal society values and its concomitant welfare implications; to keep developing countries open to the process of integration into the world economy; and to promote poverty reduction strategies as a top priority. The Bank's soft power is required to manage world diversity; to keep partners on board; and to maintain relationships with all the stakeholders including NGOs, and international civil society at large. But hard power also matters through the performance-based financial system which links aid to the "good" governance objectives as measured, by the CPIA or the WGI. The relationship between the three WB's indicators and the new commitments of some of the most important donors has been tested on donor-based cross-sectional relationships for the period 2005-2010. The statistical framework does not allow a rigorous conclusion in terms of causal inference. However, most of the regressions we run did not reject significant correlations, in accordance with what donors recognize, including when the regression model controls for a vector of structural determinants of aid allocation.

The CPIA proves to be closely correlated with aid from both the Bank and the regional multilateral banks, while the political dimension of governance prevails for

the European Commission. Former colonial powers such as France, and to a lesser extent the UK, seem to pay less attention to the governance issue. Some geostrategic reasons surely underlie their behavior, as well as the fact that governance is not independent of the sources of structural vulnerability which go hand-in-hand with poverty in developing countries.

Annexes

Annex n° 1 : The World Bank's chief economists since 1972-2009

Economistes en chef	Période	Préparation de Thèse	Affiliation universitaire
Justin Yifu Lin	2008	University of Chicago (1986)	Peking University
François Bourguignon	2003-07	University of Ontario, (1975) Université d'Orléans(1979)	EHESS (Paris)
Nicholas H. Stern	2000-03	Oxford University	London School of Economics (LSE)
Joseph E. Stiglitz	1997-00	MIT (1967)	Stanford University
Michael Bruno	1993-96	Stanford University	Hebrew University
Lawrence Summers	1991-93	Harvard University (1982)	Harvard University
Stanley Fischer	1988-90	MIT, Boston (1969)	MIT, Boston
Anne Krueger	1982-86	University of Wisconsin-Madison	University of Minnesota
Hollis B. Chenery	1972-82	Harvard University (1950)	Stanford and Harvard University

Annex n° 2 : The main World Bank publications on governance

Dates	Publication reference
1981	Berg report: *Accelerated development in Sub-Saharan Africa: an agenda for action*
1983	WDR world economic recession and prospects for recovery
1989	Landell-Mill report Sub-Sahara Africa: from crisis to sustainable growth
1992	first report on governance "Governance and development"
1994	second report on governance "governance, The World Bank experience"
1996	Launch of anti-corruption program by Wolfensohn at the Singapore meeting (IMF/World Bank)
1997	WDR "the State in a changing world"
1998	Dollar report : *Assessing aid: What Works, What Doesn't, and Why*
1999	launch of WGI, CDF and a governance cluster for CPIA
2002	WDR: Building institutions for markets
2003	launch of Doing Business project
2005	WDR: *"a better investment climate for everyone"*
2006	WDR: *Equity and development*

Annex n° 3 : Governance in social sciences publications (1988-2008)

Governance in the title of publications		Governance in the topic of publications	
Political Science (428)	**10.41 %**	**Economics** (1445)	**11.18 %**
Economics (420)	**10.21 %**	Management (1287)	9.95 %
Public administration (419)	10.19 %	**Political Science** (1136)	**8.78 %**
Management (351)	8.53 %	Business (1097)	8.48 %
Law (338)	8.22 %	Public administration (1069)	8.27 %
Planning and development (314)	**7.63 %**	**Planning and development** (977)	7.55 %
Business (289)	7.02 %	Environmental studies (920)	7.11 %
Environmental studies (273)	6.64 %	Law (907)	7.01 %
International Relations(255)	**6.20 %**	Geography (772)	5.97 %
Business and finance (182)	**4.42 %**	**Business and finance** (683)	**5.28 %**

Source: authors' compilation from ISI web of sciences.

Annex 4. World Bank Governance indicators and some multilateral aid allocations system (average commitments over the period 2005-2010).

VARIABLES	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Basic econometric model (BM)	**WB-IDA**	**WB-IDA**	**WBIDA**	**WB-IDA**	**EC**	**EC**	**EC**	**EC**	**AfDB**	**AfDB**	**AfDB**	**AfDB**	**ASDB**	**ASDB**	**ASDB**	**ASDB**
GNI pc	-1.337	-1.580	-1.818	-1.499	-3.513***	-2.890***	-3.542***	-2.827***	0.226	-0.0287	-0.427	0.794	18.73**	8.515	17.52**	-0.0376
	(0.930)	(1.329)	(1.162)	(1.198)	(1.071)	(0.956)	(1.055)	(0.961)	(1.853)	(2.236)	(2.407)	(2.668)	(7.140)	(5.711)	(6.853)	(7.767)
GNI pc^2	0.0909	0.105	0.155**	0.106	0.264***	0.218***	0.273***	0.215***	-0.0238	-0.00275	0.0477	-0.0588	-1.391**	-0.724	-1.308**	-0.141
	(0.0648)	(0.0902)	(0.0775)	(0.0842)	(0.0849)	(0.0741)	(0.0834)	(0.0741)	(0.146)	(0.176)	(0.193)	(0.209)	(0.491)	(0.393)	(0.475)	(0.529)
POP	0.734***	0.913***	0.951***	0.727***	0.696***	0.741***	0.715***	0.727***	0.872***	1.000***	0.973***	1.045***	0.591	-0.655	0.582	-0.906
	(0.144)	(0.155)	(0.155)	(0.158)	(0.140)	(0.122)	(0.135)	(0.136)	(0.235)	(0.299)	(0.324)	(0.311)	(0.373)	(0.530)	(0.428)	(0.680)
POP^2	0.00299	-0.0138	-0.00795	0.0166	-0.0409***	-0.0497***	-0.0403***	-0.0511***	-0.0619	-0.0702	-0.0558	-0.109	0.00400	0.132	0.00177	0.152
	(0.0184)	(0.0241)	(0.0133)	(0.0246)	(0.0143)	(0.0150)	(0.0149)	(0.0152)	(0.0558)	(0.0669)	(0.0686)	(0.0694)	(0.0490)	(0.0695)	(0.0590)	(0.0839)
DEBT Service	-0.0326	0.0242	-0.0977	-0.0417	-0.172*	-0.185**	-0.179*	-0.178**	0.0338	0.0349	-0.166	0.0461	-0.195	-0.258	-0.154	-0.0705
	(0.0985)	(0.140)	(0.118)	(0.115)	(0.0933)	(0.0826)	(0.0926)	(0.0809)	(0.0980)	(0.112)	(0.112)	(0.121)	(0.178)	(0.160)	(0.167)	(0.192)
BM Adjusted. R2	**0.603**				**0.560**				**0.660**				**0.670**			
CPIA	1.831***			2.035***	0.204			0.0176	0.882***			1.446**	0.323			-1.787
	(0.332)			(0.514)	(0.161)			(0.382)	(0.229)			(0.673)	(0.816)			(1.338)
WGI_Corruption		-0.0101		-0.0246		0.332		0.185		0.0638		-0.236		-4.592**		-5.133*
		(0.548)		(0.436)		(0.351)		(0.361)		(0.432)		(0.446)		(1.616)		(1.945)
WGI_Government		-0.0955		-1.102**		-0.216		-0.120		0.174		-0.220		4.714**		6.472*
		(0.589)		(0.502)		(0.381)		(0.396)		(0.639)		(0.683)		(1.396)		(2.652)
WGI_Stability		0.202		0.130		-0.206		-0.249		-0.121		-0.152		-0.713**		-0.560*
		(0.268)		(0.274)		(0.182)		(0.195)		(0.205)		(0.186)		(0.259)		(0.261)
WGI_Law		0.0702		0.0463		-0.370		-0.228		0.647		0.682		2.565*		2.505*
		(0.601)		(0.534)		(0.363)		(0.352)		(0.701)		(0.561)		(1.173)		(1.022)
WGI_Regulatory		1.429***		0.438		0.298		0.323		0.209		-0.736		-0.697		-0.308
		(0.512)		(0.410)		(0.282)		(0.360)		(0.453)		(0.601)		(0.493)		(0.615)
WGI_Voice		0.172		0.160		0.519***		0.523***		-0.00692		-0.115		-0.169		-0.554
		(0.235)		(0.199)		(0.129)		(0.133)		(0.205)		(0.192)		(0.338)		(0.486)
Doing Business rank			-0.0108***	0.000185			0.00109	0.00332			-0.0101***	-0.00283			-0.00375	-0.00563
			(0.00329)	(0.00305)			(0.00262)	(0.00281)			(0.00356)	(0.00331)			(0.00454)	(0.00614)
Observations	73	72	73	72	73	72	73	72	31	31	31	31	18	18	18	18
Adjusted R2	**0.812**	**0.764**	**0.637**	**0.811**	**0.561**	**0.601**	**0.554**	**0.595**	**0.805**	**0.734**	**0.732**	**0.765**	**0.648**	**0.800**	**0.655**	**0.777**

Notes: For each of the donor-based correlation models, the log of average ODA commitments over the period 2005- 10 are considered on the left hand side. In the basic model we account for: GNI per capita and the square of this variable, population and its square, and external debt service. *** p<0.01, ** p<0.05, * p<0.1. Aid data, from OECD/DAC online database while governance and the other variables are provided by the World Bank's WDI, 2011.

Annex 5. World Bank Governance indicators and some bilateral aid allocation system (average commitments over the period 2005-2010).

VARIABLES	17	18	19	20	21	22	23	24	25	26	27	28	29	30	32	33	34	35	36	37	38	39
Basic model	USA	USA	USA	USA	UK	UK	UK	UK	UK	FRANCE	FRANCE	FRANCE	FRANCE	FRANCE	Netherlands	Netherlands	Netherlands	Netherlands	GERMANY	GERMANY	GERMANY	GERMAN
GNI pc	-2.694	-1.879	-2.891	-2.023	-6.611***	-6.618***	-6.247***	-7.014***	-6.864***	-1.136	-1.125	-0.387	-0.968	-0.0820	-3.554	-2.197	-3.651	-1.943	-2.862	-3.364*	-3.003	-3.125
	(2.003)	(2.103)	(1.990)	(2.118)	(1.647)	(1.643)	(1.776)	(1.584)	(1.701)	(1.940)	(1.958)	(2.206)	(1.941)	(2.204)	(2.574)	(2.706)	(2.716)	(2.631)	(2.115)	(1.955)	(2.118)	(2.102)
GNI pc^2	0.230	0.169	0.237	0.177	0.509***	0.505***	0.471***	0.527***	0.517***	0.0895	0.0877	0.0370	0.0843	0.0196	0.295	0.200	0.315	0.190	0.228	0.258*	0.242	0.240
	(0.142)	(0.147)	(0.144)	(0.151)	(0.122)	(0.122)	(0.133)	(0.116)	(0.125)	(0.143)	(0.145)	(0.167)	(0.142)	(0.164)	(0.197)	(0.205)	(0.207)	(0.195)	(0.158)	(0.148)	(0.158)	(0.157)
POP	1.311***	1.300***	1.365***	1.274***	1.183***	1.169***	1.105***	1.231***	1.186***	0.332	0.327	0.365	0.345	0.293	1.139***	1.772***	1.036**	1.800***	1.069***	1.033***	1.114***	1.019***
	(0.293)	(0.245)	(0.285)	(0.246)	(0.232)	(0.236)	(0.258)	(0.215)	(0.242)	(0.220)	(0.227)	(0.243)	(0.220)	(0.267)	(0.401)	(0.475)	(0.414)	(0.476)	(0.290)	(0.272)	(0.285)	(0.290)
POP^2	-0.0787***	-0.103***	-0.0868***	-0.0887***	-0.0105	-0.0113	0.00980	-0.0160	0.0125	0.0264	0.0267	0.0411	0.0248	0.0508	-0.0212	-0.106	0.00568	-0.0912	-0.0671**	-0.0577*	-0.0698**	-0.0535
	(0.0217)	(0.0296)	(0.0200)	(0.0321)	(0.0244)	(0.0243)	(0.0287)	(0.0208)	(0.0263)	(0.0336)	(0.0341)	(0.0436)	(0.0348)	(0.0475)	(0.0714)	(0.0890)	(0.0716)	(0.0832)	(0.0305)	(0.0332)	(0.0334)	(0.0367)
DEBT Service	-0.274	-0.301	-0.282	-0.342	-0.288	-0.281	-0.266	-0.306*	-0.324**	0.0630	0.0636	0.0540	0.0682	0.0395	-0.559***	-0.479**	-0.634***	-0.565***	0.0135	0.0410	0.00297	0.0198
	(0.252)	(0.242)	(0.244)	(0.235)	(0.183)	(0.186)	(0.183)	(0.169)	(0.153)	(0.186)	(0.188)	(0.184)	(0.186)	(0.194)	(0.207)	(0.183)	(0.213)	(0.180)	(0.197)	(0.187)	(0.186)	(0.191)
British colony					1.284***	1.298***	1.387***	1.117***	1.223***													
					(0.272)	(0.268)	(0.300)	(0.274)	(0.275)													
French colony										2.008***	2.014***	1.805***	1.869***	1.672***								
										(0.296)	(0.300)	(0.368)	(0.303)	(0.384)								
BM adjusted R2	0.577				0.624					0.219					0.302				0.707			
CPIA	**0.353**			**0.644**		**0.199**			**0.227**		**0.0364**			**0.542**	**0.835****			**0.856**	**0.545****			**0.468**
	(0.341)			(0.739)		(0.284)			(0.671)		(0.291)			(0.622)	(0.377)			(0.844)	(0.255)			(0.556)
WGI_Corruption		-0.520		-0.143			0.777		1.017			0.970		0.802		1.940**		2.269**		0.0384		0.0707
		(0.813)		(0.821)			(0.991)		(0.997)			(0.953)		(0.958)		(0.920)		(0.988)		(0.534)		(0.574)
WGI_Government		0.819		0.215			0.211		-0.281			-1.267		-1.505		-0.738		-1.907*		0.439		0.0993
		(0.872)		(0.965)			(0.817)		(0.800)			(0.769)		(0.903)		(0.927)		(1.080)		(0.534)		(0.604)
WGI_Stability		-0.546**		-0.455*			0.204		0.289			0.106		0.0773		1.88e-05		0.129		0.165		0.179
		(0.267)		(0.269)			(0.252)		(0.228)			(0.275)		(0.276)		(0.332)		(0.333)		(0.236)		(0.236)
WGI_Law		0.0314		-0.355			-1.582*		-1.756**			-0.752		-0.629		-0.298		-0.243		-1.165**		-1.181*
		(0.687)		(0.684)			(0.904)		(0.812)			(1.044)		(1.065)		(1.185)		(1.179)		(0.550)		(0.602)
WGI_Regulatory		-0.111		-0.493			0.614		0.253			0.814		0.700		-0.215		-0.924		0.622*		0.282
		(0.612)		(0.680)			(0.651)		(0.748)			(0.675)		(0.687)		(0.727)		(0.908)		(0.368)		(0.501)
WGI_Voice		0.587		0.572			0.0154		0.0528			0.139		0.109		0.797**		0.792**		0.470**		0.480**
		(0.373)		(0.385)			(0.365)		(0.366)			(0.313)		(0.311)		(0.368)		(0.365)		(0.192)		(0.197)
Doing Business			-0.00942**	-0.00858				-0.00920**	-0.0120**				0.00399	0.00499			-0.00704	-0.0101			-0.00564	-0.0035
			(0.00388)	(0.00576)				(0.00374)	(0.00502)				(0.00475)	(0.00553)			(0.00486)	(0.00612)			(0.00377)	(0.0037
Observations	73	72	73	72	64	64	64	64	64	65	65	65	65	65	58	58	58	58	67	67	67	67
Adjusted R2	**0.578**	**0.563**	**0.598**	**0.574**	**0.717**	**0.714**	**0.706**	**0.736**	**0.731**	**0.540**	**0.532**	**0.525**	**0.537**	**0.519**	**0.346**	**0.404**	**0.309**	**0.421**	**0.728**	**0.749**	**0.716**	**0.749**

Notes: For each of the donor-based correlation models, the log of average ODA commitments over the period 2005- 10 are considered on the left hand side. In the basic model we account for: GNI per capita and the square of this variable, population and its square, and external debt service. *** p<0.01, ** p<0.05, * p<0.1. Aid data, from OECD/DAC online database while governance and the other variables are provided by the World Bank's WDI, 2011.

PART II

Part 2. Governing sustainable development in developing countries: some investigations on social and environmental dimensions of governance.

Abstract

This second part proposes some investigations on social and environmental dimensions of governance in developing countries. As we argued in the previous part, multilateral organizations have mainly focused on economic considerations theirs conception and implementation of governance reforms in developing countries. Yet, the logic of sustainable development also obliged to take into account social and environmental considerations. Hence, in chapter 3, we analyze the behaviors of IOs in terms of social governance, and we assess empirically the effects of their aid on income inequalities and social protection in developing countries. Contrasting IOs' conceptions of inequalities and social policies, we start with the debate about income inequality versus inequality of opportunities, and we show that most IOs are influenced by contemporary liberal conceptions of inequalities based on the principle of inequality of opportunity. However, we note that two doctrines can emerge from the examination of IOs' conception of social policy: Bretton Woods versus UN doctrine. Moreover, we show that the trade-off between aid equity and efficiency entailed the emergence of good governance in aid allocation criteria. This trade-off arises in a Samaritan dilemma perspective leading to aid delegation to multilateral organizations. The empirical investigation, on the effects of multilateral aid on income inequalities and social protection in developing countries, concludes that aid has beneficial effects only in recipient countries having good governance policies.

Finally, chapter 4 deals with the issue of interactions between the supply and demand sides of governance by linking environmental compliance, corruption and deforestation in developing countries. Since most IOs have mainly focused their agendas on governance reforms on the supply side, this chapter advocates the need to pay also more attention to the demand side by promoting stakeholders' compliance and government's accountability. We examine the political economy of governance reforms by explaining how corruption can shape stakeholders' willingness to comply with environmental norms through a principal-agent model on environmental compliance, corruption and deforestation in developing countries. The econometric investigation on deforestation in developing countries shows that demanding side actors' compliance is necessary to overcome bad governance, and it can serve as a substitute or complement for good governance infrastructures depending on the initial level of governance quality. Besides, multilateral aid to the forestry sector is found to be more efficient in reducing deforestation in countries presenting both a better environmental compliance and rule of law.

CHAPTER 3

Chapter 3. Multilateral institutions and social governance: Assessing the effects of aid on income inequalities and social protection in developing countries.[107]

Abstract

This chapter analyzes the extent to which multilateral organizations could contribute to reduce inequalities and promote social protection in developing countries through development aid. It provides a discussion on the theoretical conception of inequalities by IOs, notably the distinction between the Bretton Woods and UN doctrine. These IOs are strongly influenced by liberal approaches of inequalities focused on equity issues expressed in terms of equal opportunity. The study distinguishes between foreign aid provided through multilateral organizations and that provided bilaterally by small donors and large donors. Thus, the system of aid delegation is analyzed using a framework of Samaritan dilemma in order to explain the trade-off between aid efficiency and equity and the potential role for good governance. While linking cross-countries and within inequalities, it appears that the effectiveness of multilateral aid in social sectors depends on the extent of their autonomy vis-à-vis their main principals (developed countries) and the level of recipient governments aversion against inequalities. The central findings of the econometric investigation are that multilateral aid is associated with increases in income inequality, decreases in the share of recipient government's education expenditures (% of GDP), and increases in the share of social security expenditures (% of GDP). The proportion of governmental health expenditures (% of GDP) appears to be not significantly influenced by multilateral aid. However, the perverse effects of aid appear to be somewhat (but not entirely) mitigated by the presence of good governance, notably government stability and democratic checks and balances in the recipient country. In addition, foreign aid presents higher efficiency in terms of social governance in fragile states.

Keywords: *Multilateral aid, Inequalities, Governance, Samaritan Dilemma, Social protection.*

[107] Some sections of this chapter will be published in a forthcoming collective book as an article entitled "De la « bonne gouvernance » et de son application au cas des pays en développement » co-authored with Patrick Plane.

Introduction

The international scene is characterized by huge inequalities between countries and people. In addition to be a bottleneck for the development of poor countries, world system inequalities also represent some threaten for the international stability. Hence, the need to develop strategies at the international level places IOs at the heart of the global governance architecture. From a realist perspective, the world is still a matter of sovereign states, so the multilateral framework results in a bargaining between them. By this way, the emerging global social policy is partially expressed in terms of global redistribution through foreign development aid. In such a perspective, this chapter proposes an analysis on the potential role that IOs could play in the process of social development in developing countries. Among the potential tools at the disposal of these IOs, development aid remains the most accessible to undertake some policies of inequalities reduction. Indeed, the instruments related to debt burden reduction, foreign direct investments and international trade are essentially monopolized by developed countries and the mitigation of their undesired effects remains quite problematic. In fact, this will need some change in the actual global governance order (Kosack and Tobin, 2006; Yunker, 2004). Besides, the phenomenon of globalization is considerably shaping national social policies while increasing demand for social protection. The challenge becomes the design of social governance that allows international economic competitiveness without undermining solidarity. Accordingly, IOs have become more involved in prescribing national policy with even a struggle of ideas influence (OECD, 1999; Deacon, 2007; Mosley and Uno, 2007; Greenhill et al., 2009). In turn, the quality of national social policies conditions the extent to which foreign aid can play a role of assistance to social protection and a reduction of within-country injustices, notably for the poorest deciles. In this perspective, the theoretical contribution of this chapter lies in the use of the specificities of multilateral aid to analyze the dynamic of national and international inequalities. These specificities are related to the fact that IOs received their funding, essentially, from their main principals (developed countries) whose preferences over inequalities and social policies do not always converge. Therefore, the net degree of IOs' inequality aversion remains questionable.

The relative autonomy of these organizations and the level of their vulnerability to influences from developed countries determine their positioning in terms of social governance (Hagen, 2006; Dreher, 2009; Fleck and Kilby, 2006). Subsequently, the effectiveness of multilateral aid in terms of income inequalities reduction and social protection will not solely depend on the preferences of these multilateral donors in terms of inequalities aversion, but also it will depend on those of developed countries governments and recipient countries ones. Thus, to the best of the author's knowledge, the scarce literature on the social effectiveness of aid did not highlight a consensus on the theoretical and empirical effects of multilateral aid on national and international inequalities. Therefore, the purpose of this chapter is to shed some light on this debate. The rest of this chapter discusses in a first step the rationale of the debate on world system inequality before presenting in a second time the conception of inequalities and social governance by IOs. At this level, a distinction is made between the Bretton Woods and UN doctrines even though these IOs are strongly influenced by liberal approaches of inequalities that focus on equity issues expressed in terms of equal opportunity. The third section studies the political economy of multilateral aid as a global social policy tool. Thus, it examines the puzzle of donor governments motivations to delegate a share of theirs funds. It also exposes the trade-off between efficiency and equity in multilateral aid in light of the emergence of good governance concept. Before the conclusion, the fourth and last section deals with the econometric investigation about the effects of aid on income inequalities and social expenditures in developing countries. Using a panel of 92 recipient countries over 6 periods of 5 years averaging (1980-2008), we run a GLS random effects model and an instrumental variables model (IV-GMM). The central findings are that multilateral aid is associated with increases in income inequality, decreases in the share of the recipient government education expenditures in GDP, and increases in the share of social security expenditures. The proportion of governmental health expenditures (% of GDP) does not appear to be significantly influenced by multilateral aid. However, the perverse effects of aid appear to be somewhat (but not entirely) mitigated by the presence of good governance infrastructures in terms of government stability and democratic checks and balances in the recipient country.

Moreover, multilateral and bilateral aids are likely to well-perform in terms of social governance in recipient countries suffering from fragility. Ultimately, the effects of foreign aid are found to vary widely across world regions.

I. Global governance and world system inequalities: the debate

Why and how do world system inequalities influence the well-being for worldwide citizens? In answering these questions, it is worth noting that the use of different concepts of inequality is not arbitrarily fixed since it can be seized as the outcome of a political and ideological fight for definitions. Indeed, taking into account the historical roots of inequality shows that its definition is likely to shape the struggle to dampen it as undertaken by some political and social movements (Giesen and Nobre, 2010). From concepts of income or economic inequalities to political and social inequalities, various phenomena are depicted through the general word of "inequality". The most used concept remains income inequalities which can be subdivided in four categories likely to be closely connected to each other (Giesen and Nobre, 2010). Thus, international inequality refers to inequality across states by considering differences in per capita income among them while omitting intra-country income differences among citizens. In contrast, the concept of world inequality considers as unit of definition citizens of the world, rather than countries while treating all individuals in the same way. This approach ranks individuals from the richest to the poorest regardless of their country of origin. The third category concerns national inequality which makes the distinction of income within a single state. The fourth category is related to inter-regional inequality that deals with the average income differences among the world's large regional units. These four categories of income inequality have been regularly shaped by historical advents such as the two waves of globalization, the two world wars and the current economic crisis[108]. International inequalities are explained by endogenous as well as exogenous factors (Sanderson, 2005). For instance, liberal approaches explain income inequalities through a prism of endogenous factors related to individual effort and

[108] See Giesen and Nobre (2010) for details.

productivity. These inequalities are not likely to impede economic activity and even, they are sometimes needed as argued by Kuznets (Thomas, 2001; Basu, 2006). Conversely, Marxist ideas find the sources of international inequalities in the capitalist system through which the centre is assumed to engage in an exploitation of peripheral countries. In fact, the weak participation of developing countries in global governance institutions favors the production of international rules that are somewhat detrimental to them. This is for instance the case of economic liberalization and international trade.[109] This situation contributes to sustain inequality traps[110] both at national and international levels. In such a context, various dimensions of inequality interact to protect the rich from downward mobility, and to prevent the poor from being upwardly mobile. Besides, the functioning of institutions plays a crucial role in the creation and persistence of political and economic inequalities which, in turn, maintain the institutional trap. Consequently, inequalities of opportunities are sustained and contribute to waste productive potentialities and resources allocation (World Bank, 2005). Income inequalities affect also economic development through the credit rationing and uncertainty associated with investments. Accordingly, property rights become more and more unsecured due to socio-political unrests. Nevertheless, in some contexts, these unrests are likely to favor democratization process through revolutions, sometimes, necessary to induce long run economic prosperity.

II. Contrasting multilateral institutions' conceptions of inequalities and social policies

1. Differences and similarities in inequality approaches

Multilateral organizations are fundamentally influenced by liberal approaches of inequalities which focus on equity conceived in terms of inequalities of opportunity.

[109] See Beckfield, 2003; Herkenrath et al., 2005; Jacquet et al 2002; Birdsall, 2002, 2003; Bourguignon et al, 2009; Sarrasin, 1997; Herkenrath et al, 2005.

[110] The inequality trap is conceived as persistent differences in power, wealth and status between socio-economic groups that are sustained over time by economic, political, institutional and socio-cultural mechanisms.

This approach is preferred to the income-based approach of inequalities. Indeed, income inequality is not considered by liberal approaches as being effectively harmful because it can become an incentive for investment, risk and effort. However, these two concepts of inequality are in a relationship as outcome inequalities are likely to determine in many cases the persistence of inequalities of opportunities. Hence, two world inequalities doctrines can be identified in the agenda of IOs: the Bretton Woods doctrine, through the World Bank, IMF, WTO and the UN doctrine through its agencies (Thérien, 1999; Payne, 2003). In the Bretton Woods doctrine, poverty does not result from the asymmetric inequalities in the structure of the world political economy, but it is a product of temporary inadequacy of markets. Therefore according to this approach, poverty factors have to be found at the domestic level rather than at outside. This liberal approach avoids putting ahead a serious contestation of the liberal economic order. Thus, poverty is assumed to be overcome by the "trickle down" phenomenon through long term economic growth. By this way, liberal social contract allows some diversity in incomes structures under the condition that each individual gets the same opportunities at the starting point. In contrast, the UN doctrine, derived from the sociological and political economy theories, focuses on global poverty which is assumed to be linked to unequal distribution of fruits of world economic development. According to this doctrine, poor countries are vulnerable to world market shocks while being still caught in a trap of disadvantageous international trade specialization (Smith, 2004). Insofar poverty is mainly seen as an individual problem rather than a state's one, it becomes possible to make some comparison between poor of different worldwide regions. Yet, IOs have some common bases in terms of international policies to reduce national income inequalities. This *de facto* convergence was illustrated for instance, through the publication during the same year of 2005, of the main reports of the World Bank -World Development Report 2006 - and the UNDP -Human Development Report 2005- respectively based on the topic of equity and inequality. The conception of inequality, exposed in these two aforementioned reports, are inspired by some contradictory arguments of liberal political philosophy about distributive justice and equity rooted on individual liberty (Rawls, 1971; Dworkin,

1981; Sen, 1985; Roemer, 1998; Fleurbaey, 1998). The conception of inequalities in terms of equity suggests a respect of equality of opportunity but also it implies an incorporation of a central role for responsibilities. Henceforth, a distinction is needed between inequalities due to individual responsibility (in terms of effort and preference) and those related to circumstances out of the control of each individual. Therefore, the former type of inequality may be ethically acceptable while the later may be classified as unjust (Dworkin, 1981; Roemer, 1993, 1998; Fleurbaey, 2008; World Bank, 2005; Bourguignon et al., 2007). Subsequently, the operationalization of these principles of equity and distributive justice by IOs is not free from difficulties and criticisms (Hall, 2007). For instance, the World Bank had mainly adopted the discourse of efforts comparatively to that of circumstances when it launched its IDA aid selectivity approach at the end of 90s. In contrast, the UN through the framework of the Millennium Development Goals (MDGs), advocated equity in terms of increasing capabilities. However, the funding of these MDGs remained only on a minimalist basis in terms of international redistribution under Rawls's veil of ignorance.

2. Social policies within multilateral organizations agendas[111]

The discourses and policies of IOs about social policies are mainly related to social sectors such as education and health. Furthermore, social policies are increasingly expressed in terms of social protection through labor market interventions, natural disaster management, social risk mitigation, safety nets, vulnerability assessment and monitoring, social insurance and pensions (Hall, 2007). Global social policy analysis at IOs level is very often driven by normative approaches stressing the predominance of neoliberal policy advice. Yet, some differences reside in the importance of the role to be attributed to state apparatus with regard to private sector (Deacon, 2007).

[111] This section is highly indebted to Deacon (2007) where more details can be found.

2.1. The European Commission, the World Bank and the IMF

The European Commission conceives social protection as a strategy to tackle inequalities and making growth more inclusive. Indeed, its 2010 report on development defines social protection in terms of management of vulnerability of people through social insurance and in kind transfers (European Union, 2010). In so doing, social protection policies help to build cohesive societies, political accountability and the state's legitimacy. Yet, this supposes some presence of political will and policy ownership. It also supposes a sustainability of domestic-based resources of funding rather than a dependency to uncertain and unstable external capital flows.

The World Bank has developed its social policy through three operational agendas: social welfare, social protection and social development (Hall, 2007). However, social protection has acquired its prominent place in the Bank's agenda as a result of having to deal with some harmful effects of SAPs. Indeed, the Bank's SAPs was criticized since the end of 80s for these social consequences of its SAPs (Cornia et al, 1987). Since then, the Bank re-focused its policies on poverty. The flagship policies developed for this perspective were framed in Poverty Reduction Strategy Papers (PRSPs) resulting from Highly Indebted Poor Countries initiative (HIPC). Yet, these poverty-based policies have followed orthodox lines given that the Bank is still playing a hegemonic role in shaping ideas on policy advice. The Bank's 2000/2001 WDR reflected this struggle for shaping ideas on social policies sphere[112]. The empowerment of poor people, notably in terms of political and social right, appeared as an embarrassing social policy strategy for the Bank which remains cautious about significant potential deviation from the mainstream liberal vision (Wade, 2002; Deacon, 2007). At the operational level, in 1999, the Bank has introduced within its CPIA a new cluster dealing with the social protection. This cluster assesses in partner countries the social safety net, pension and old age savings programs; protection of

[112] The final draft of the report, unlike the first one, inverted the order of priorities in terms of social policy aiming to combat poverty. Indeed, instead of empowerment, security and opportunity, the final report put opportunity first. For instance, the concept of "protecting poor" was replaced by that of "helping poor manage risk". The first reminds the European approach of collective social protection, whereas the later is associated to US individualized approach to social insurance (Deacon, 2007).

basic labor standards; regulations to reduce segmentation and inequity in labor markets; active labor market programs, such as public works or job training; and community driven initiatives. Meanwhile, in its 2006 WDR, the Bank brought some clarifications about its conception to social policy by focusing on the equity approach based on equality of opportunity and avoidance of extreme deprivation in outcomes (World Bank, 2005). Concerning the provision of social public services, such as health and education, the debate inside the Bank continues, but at the operational level, privatization ideas dominated in the health and pension sector while advocacy for free public provision prevails in primary education (Deacon, 2007).

The IMF has collaborated with the World Bank on the PRSPs initiative which sought to take into account the socio-economic impact of SAPs upon poor. Thus, the Fund's structural adjustment facility was renamed as the Poverty Reduction and Growth Facility (PRGF). However, criticisms continue to point out some contradictions between the IMF's short-term concerns with macroeconomic stability and long-term poverty reduction goals. For instance, IMF fiscal targets often entail weak social spending. Even foreign aid is likely to remain insufficient in filling this gap as donors are generally under IMF's catalytic influence through its country surveillance reports. Therefore, in order to comply with IMF's rules, some governments are more inclined to cut social service expenditures, notably those in health and education sectors. These rules impose that public sector wage to GDP ratio should not exceed 8 per cent as well as the budget deficit not exceeding 3 per cent (Deacon, 2007). Thus, for many poor developing countries, adopting public social policies at odds with IMF rules becomes somewhat difficult since they depend essentially on external public funds.

2.2. The World Trade Organization (WTO), the International Labour Organization (ILO) and the World Health Organization (WHO)

The World Trade Organization is involved in social policies through labour regulation in member countries. The main question is whether a non-discrimination policy would mean that each member could trade with countries that had low labour and social standards (Deacon, 2007). This situation is likely to encourage the erosion

of these standards, for instance those related to: right of association, wage for a reasonable standard of living, 8-hour day and 48-hour week, no child labour, equal remuneration for women and men, equal right for migrant workers. Some main opponents to labour regulation in international trade (for instance in India, China, Brazil) are worrying about potential social protectionism in developed countries. They defend the right of developing countries to benefit from the comparative advantage of low labour costs. From the WTO meeting in 1996, emerged a compromise which admitted that ILO is the proficient organization to set and deal with labour standards. However, the ILO had to face the consequences of some policies prescribed by the World Bank and IMF during the first generations of SAPs in 1980s. Henceforth, ILO's welfare state strategy to pensions was reconsidered towards private approaches advised by Breton Woods institutions. Besides, some connections between trade and health imply that some WTO's policies directly affect areas that involve the responsibility of the WHO. These connections concern for example sanitary and phytosanitary measures, agreements on technical barriers to trade, trade related intellectual properties rights (TRIPS - the case of access to cheap medicine), trade in services (GATS - the case of social security for migrant workers and multinational firm workers living abroad). In fact, the collaborations between the WHO and the WTO happened in a context of an increase of private foreign investment in health service provision in poor countries. The powerful interventions of the World Bank and the WTO on the issues of health in developing countries led the WHO to play a secondary role in shaping national health policies[113]. Even though the WHO's Alma Ata declaration considered that inequality in the health status is politically, socially and economically unacceptable, it was followed by a little impact. The explanation is that, during the cold war, the effectiveness of the WHO was somehow limited because the organization was accused to be politicized. This had resulted in a reduction of its funding coming from some donor government. However, since the end of 1990s, the discourse of the WHO shifted from a normative basis towards economic arguments based on an increase in health expenditures as an

[113] The WHO activities sought to eradicate and control major diseases about which there was little professional controversy, but the failure of malaria eradication programme led to a refocusing on the broader social and policy determinants of health and disease. The WHO's Alma Ata declaration of 1978 focus on the right to primary health care and it was followed in 1981 by the adoption of the *Global Strategy for Health for All by the year 2000*.

investment in human capital[114]. Henceforth, the issue is no longer on the problematic of health for all but rather on health markets for all (Deacon, 2007).

2.3. The UNESCO, UNDP and UNICEF

The UNESCO appears as a laboratory of ideas and standard-setter in the field of social policy in terms of education. The emphasis of its work is not on funding education but on its content. Even though the UNESCO is participating to the global campaign to achieve education for all (EFA), it conceives education as a contributor to peace and tolerance rather than to economic growth (Deacon, 2007). This could be partially explained by the fact that it is one of the poorer UN agencies[115]. The EFA initiative launched in Jomtien (Thailand) in 1990 was formalized in Dakar a decade later with a set of goal to be achieved. Furthermore, these objectives of EFA were integrated into the Millennium Development Goals (MDGs) grew in 2000 out of the Social Summit of the UN held in Copenhagen in 1995. The UNDP is in charge of this MDGs initiative which gives a large interest to social sectors such as health and education. One of these goals, based on a global partnership for development, was supposed to increase donor commitment to provide needed and predictable funding while recipient countries were incited to adopt good governance principles as a counterpart. Nonetheless, the post-9/11 counter terrorism campaign has undermined, to a certain extent, the commitment of some main donors to provide enough funding for MDGs (Mohan and Mawdsley, 2007). The education goals in MDGs led the UNDP to work closely with UNESCO's EFA actors as well as the World Bank Fast Track Initiative (FTI) and the PRSPs initiative. Beyond the MDGs framework, the UNDP diffuses its conception of social development through its flagship publication, namely the Human Development Report since 1990. This report appears sometimes as being in competition with the World Bank's WDR. In a historical perspective, some UNICEF's economists were among those who addressed criticisms about the social consequences of SAPs prescribed by Bretton Woods institutions. In a publication entitled "adjustment with a human face" Cornia, Joly

[114] Gro Harlem Bruntland, appointed in 1998 as Director General, contributed to move the WHO out of the margins of international influences.
[115] Indeed, it suffered between 1984 and 2002 for not having USA as a member and UK between 1984 and 1997.

and Stewart pointed out, in 1987, the negative effects of SAPs on children well-being and protection as well as on other vulnerable peoples (Cornia et al, 1987). However, the UNICEF itself was criticized for its collaboration with some corporate partners whose responsibility in children well-being status could be also established (Deacon, 2007). Finally, beyond its specialized bodies, the UN develops its own social policy through the Economic and Social Committee (ECOSOC) under the banner of the Department of Economic and Social Affairs (UNDESA).

2.4. International non-state actors

International non-state actors, such as think tanks, policy advocacy coalitions and knowledge networks, are becoming powerful stakeholders in the struggle for shaping social policy in developing countries (Carroll, 2007; Deacon, 2007). As argued by Deacon (2007), the debate over social policy ideas consists to know whether poverty reduction implies to target specific resources on the most poor or whether it needs important social and political institutional change. This last solution involves a shift in power relations and a significant increase in redistribution from rich to poor[116]. About that, some IOs have taken into account this new tendency, which considers knowledge as politics, by creating or sponsoring knowledge networks. For instance, the World Bank opted for this solution by creating the Global Development Network (GDN)[117] in 1999 at the epoch when it was selling itself as the "knowledge bank". The UN followed the same logic by sponsoring the UN Research Institute for Social Development (UNRISD) while the OECD sponsored the DAC's Poverty Network (POVNET). Furthermore, transnational businesses are claiming to be socially responsible notably in terms of labour standards that ban children work in outsourcing countries. The World Economic Forum, which proposes a meeting framework for these leading transnational companies, is challenged by the creation

[116] About this concern, St Clair (2006) stressed that the current state of knowledge about global poverty is that it reflects a "consensus among certain scientists" rather than a scientific consensus". This author suggests that moving out of this situation, where the most powerful actors win the argument, need to increase the legitimacy of this knowledge by setting a more open and accountable mechanism enabling a contestation and review of scientific researches by transnational actors.

[117] The objective was to coordinate the existing regional knowledge networks worldwide. In 2002, the GDN became independent from the World Bank before moving to India.

of the World Social Forum whose objective is to denounce the worldwide hegemony of neo-liberal policies.

III. Multilateral aid as a social governance tool in the South

1. The effects of foreign aid on national inequalities: the role of good governance

The current pattern of foreign aid as a global redistribution displays some weaknesses. In reality, most aid is not actually spent in the poorest countries but in middle income countries serving geopolitical and commercial purposes. Only 20% of aid is allocated to Least Developed Countries (LDC) whilst around two third of aid was formerly tied (Manning, 2012; Deacon, 2007). This tendency is decreasing since 2000s when traditional bilateral donors committed to stopping aid tying policy. Nevertheless, the emergence of new donors, such as China, applying aid tying policies, is likely to incite traditional donors to bypass their promise to end this practice. In addition, little aid is going to social sectors such as education and health. This situation persists in spite of UNICEF's initiative of 20/20 calling donors to allocate 20 per cent of their aid on social sectors and recipient government to spend 20 per cent of their budget on social sectors. Whereas Burnside and Dollar (2000), argued that aid can promote growth in recipient countries having good institutions, other studies went against this moderate result by showing that there is no evidence of any aid effect on growth even in the case of high institutional quality (Easterly, 2003; Easterly et al., 2004; Rajan and Subramanian, 2008). In the same perspective, Alesina and Weder (2002) show that there is no evidence that less corrupt governments receive more foreign aid whereas other authors are arguing that aid may, in some contexts, cause deterioration in the quality of democratic institutions (Brautigam and Knack, 2004; Knack, 2004). Yet, some authors think that foreign aid may help to alleviate poverty and equalize the income distribution, without

necessarily having a discernible average growth effect[118] (Chong and Gradstein, 2009). Moreover, aid tying and misallocation within recipient countries might also explain this poor link with inequality and poverty[119]. The under-consideration of recipient countries internal inequality in donor aid allocation is likely to be counterproductive even for donor countries long run interest. An increase in national inequalities can lead to a rise in world inequality with its potential consequences for international migrations in donor countries. These national inequalities can also foster political instability and civil wars in developing countries. This is likely to become a cradle for transnational drug mafia or terrorism. Therefore, Brown and Stewart (2006) invited donors to promote the reduction of horizontal inequalities[120] by changing their aid allocation across countries. This implies to allocate more aid to heterogeneous countries relative to homogeneous ones[121]. Furthermore, in order to avoid the Samaritan dilemma, this allocation rule should be accompanied by different appropriate instruments depending on the willingness and capacity of the recipient government in terms of correcting these horizontal inequalities.

2. The Samaritan dilemma in aid allocation

Applying the Samaritan dilemma framework to foreign aid architecture implies to consider the community of bilateral donors as a pure altruist Samaritan facing multiple recipient governments. The dilemma will occur since recipient countries will be inclined to make insufficient effort in order to benefit donor aid. The

[118] For example, Chong and Gradstein (2009) show that, when corruption is low, an increase in foreign aid from low to medium quantity can be correlated to a reduction in inequality. It is the opposite in a context of high corruption with aid increase from medium to high quantity. Hence, the neglect of this disaggregation explains why cross-countries analyses generally find that foreign aid does not appear to have a significant income distribution effect, even in the presence of good institutions.

[119] Indeed, an important part of aid is spent out of recipient countries and thereby it does not reduce national inequality and even could lead to a conclusion that it worsens them. Hence, in a context of low recipient ownership, diverging preferences (in terms of aid objectives) between donors and recipients might explain some extent of aid misallocation. For instance, rather than having a preference for inequality reduction in developing countries, donor countries preferences' may be linked to considerations either of national security or domestic politics.

[120] Horizontal inequalities are conceived of as multidimensional, with economic, social and political dimensions which are in interrelationship. For instance, political power can affect the economic and social dimensions. Hence, correcting internal inequalities is likely to impact positively aid efficiency as discrimination appears to be economically counter-productive while being a potential source of violent conflict. It is worth noting that conflict is less likely if economic and political inequalities go in opposite directions, when the group that dominates the political system does not also dominate the economic one (Brown and Stewart, 2006).

[121] This allocation rule does not mean that recipient countries with limited inequalities should not be rewarded for inclusive policies, but it aims at avoiding punishing actual generations for high inequalities which are very often rooted in historical origins.

competition between recipient governments will foster the tendency to blacken the situation of their countries. This behavior is likely to remain even if the recipient government takes care of its population because, in order to obtain the help of the Samaritan, they have to be the poorest of the lot of potential beneficiary countries (Pedersen, 2001). However, if these bilateral donors are assumed to be guided by impure altruism, the reasoning implies to consider that the Samaritan has a great interest in helping the recipient. Thus, foreign aid becomes an opportunistic tool which is even likely to become harmful to the long run interest of the recipient country while reinforcing the power of the Samaritan. From this perspective, the Samaritan could be considered as a political actor using its power to reduce the ineffective strategy of recipient countries and submit them to his will by maintaining aid dependence (Ballet et al., 2007). Nevertheless, this situation is more likely to occur if the recipient government behaves as a "rotten kid" who, seeking his own interest, will tend to simulate donor altruism in order to ultimately obtain a greater amount of aid (Becker, 1974). Besides, in a presence of a generalized impure altruism, aid provision is likely to be lower. In such a context, a competition between donors can arise since each donor tries to impose its power over others. About this situation, Ballet et al. (2007) pointed out that the impure altruism of donors combined with the predatory character of some recipient governments could ultimately lead to formulate the dilemma in terms of "leave me with my poor people because I have so much fun to maintain them into poverty". Therefore, solving the dilemma supposes, both for donors and recipient governments, to overcome negative externalities resulting from the double trade-off expressed in terms of collective responsibility versus individual utility and present versus future.

Turning back to the problematic of inequality reduction, it appears that donor governments, which seek to address cross-countries inequalities, have to face a dilemma expressed in terms of an embarrassing trade-off between need and effectiveness. In fact, donor objective to increase aid volume to neediest countries could conflict with their objective of improving aid effectiveness as very often, the neediest countries are those with weak economic governance. Hence, the recipient government's willingness and capacity condition the proper use of aid, notably in

terms of internal inequalities reduction. As argued by Collier (2012), the intentions of the recipient government must be somehow well-aligned with the interests of citizens. This necessitates a legitimate political system which is fundamentally endogenous and therefore out of the scope of donors remits. A formal democracy is not sufficient to satisfy this condition since many governments do not risk to be removed through elections regardless of their respect of citizens interests. In addition, even though the will of the recipient government is effective, it is likely to remains problematic its capacity to work for citizens interests (Collier, 2012). Hence, as the traditional approaches of capacity-building and policy conditionality appear ineffective, Collier (2012) suggests three organizational innovations as a new donor instrument of influencing aid modalities in terms of public spending: independent ratings of spending systems, independent public service agencies, and sovereign development funds. This suggestion is in the same line with the *Paris Declaration* (2005) on aid effectiveness which was based on five principles: ownership, alignment, harmonisation, results and mutual accountability. Thus, recipient governments are requested to improve their management and procurement systems whereas donors are invited to channel aid through these domestic systems. Donors are likely to bypass these national systems if they are not confident to their quality[122]. In another vein, as suggested by Buchanan, delegating the decision to an agent would be one of possible solutions to the dilemma. In the case of foreign aid policy at donor side, this corresponds to aid delegation to multilateral agencies such as the World Bank, UN agencies or regional multilateral development bank.

3. Aid delegation to multilateral organizations: the good governance agenda and the trade-off between aid equity and efficiency.

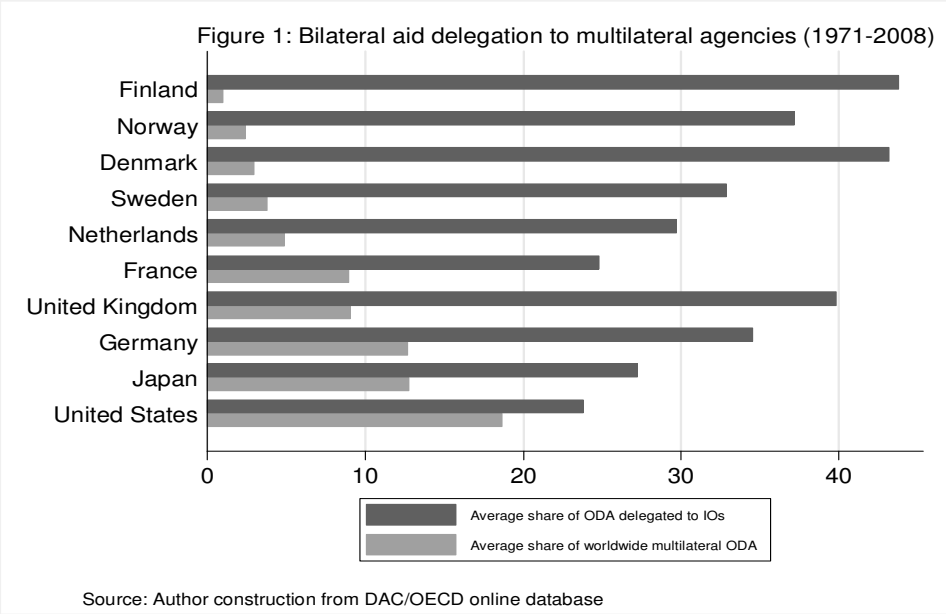
3.1. Why do donor governments choose multilateral channel for aid provision?

The choice of multilateralism for foreign aid provision is motivated by various reasons among which the search of aid efficiency is usually put ahead. Consequently,

[122] About that, Knack (2012) shows that a donor's use of the recipient country's systems is positively related to: the donor's share of aid provided to the recipient (donor reputation), perceptions of corruption in the recipient country and public support for aid in the donor country. In fact, aid ownership is very weak as only a little part of aid is channeled through recipient government budget or through a sector wide approach (SWAP).

different donor governments can be guided by different motives when they delegate a fraction of their aid to multilateral organizations, but also a same donor government can pursue more than one objective through the multilateral channel. About that, Milner and Tingley (2011) expose three general explanations: a principal-agent framework aiming to increase the aid volume and efficiency, the hegemonic self-binding and the promotion of global norms. In the principal-agent setting, some donor governments are ready to delegate some quantity of their aid to a common autonomous agent (multilateral agency) under the condition that others also accept to contribute. In so doing, they expect to solve the free riding phenomenon. Losing the control over multilateral aid policy is the cost of this delegation while the gain is a mobilization of a large amount of aid (for financing development) as well as a burden sharing in the case of multiple donors. The issue of the control can explain why powerful donors seldom channel more than one third of their aid through multilateral agencies (see figure n°1). Indeed, in the case of divergence in preferences between the principal (donor government) and the agent (multilateral agency), the imperfect observation on the agent's activities can lead to the possibility that the agent does not promote the preferences of the principal. This situation is more likely to occur in the case of multiple principals with a single agent because the principals usually do not have identical preferences (see figure n°2 and n°3). Therefore, the degree of autonomy of multilateral institutions from powerful countries conditions the relevance of principal-agent models for understanding international politics. The World Bank's IDA replenishment process is an illustration of aid delegation to a multilateral agent during which a minimum of donors commitment is required to validate a negotiation. Nevertheless, the largest donors try to minimize the loss of their control over multilateral agencies by allocating theirs resources to special funds inside these multilateral organizations (for example: the Global Environmental Fund, UNAIDS…). By so doing, they can control in advance the sectors and topics where their aid will be spent. The willingness to control can also be expressed through the detention of a tacit right or power to appoint the head of these multilateral agencies as it is the case for the USA vis-à-vis the World Bank or Europe vis-à-vis the IMF.

In the second argument developed by Milner and Tingley (2011), powerful states may use multilateralism in order to bind their overwhelming influence. By this way, hegemonic countries avoid threatening contexts in which other potential donors, with fewer resources, might not like to compete with them in aid giving. They may expect the recipients to obey only to powerful states preferences. The third argument is based on norms diffusion. In fact, some donor governments may conceived multilateral channel as the most appropriate or legitimate means of pursuing their foreign policy (Finnemore, 1996; 1993). Thus, from a constructivist point of view, multilateral organizations are seen as norm entrepreneurs necessary to diffuse new norms and ideas as well to help them compete with existing ones. To some extent, the good governance agenda can be conceived as an illustration of this third argument.



3.2. When multilateral aid is motivated by a trade-off between equity and efficiency: the emergence of the good governance agenda.

Aid delegation to multilateral institutions can be also motivated by a will to move out of the Samaritan dilemma which is expressed in terms of a trade-off between aid equity and aid effectiveness. This supposes to make some assumptions on donors

and recipients' characteristics in terms of aversion to inequalities, as well in terms of aid properties[123]. About that, Hagen (2006) argued that delegating aid to multilateral organization could be perceived as a strategy to increase aid effectiveness for a high inequality-averse donor (such as Scandinavian donors). Indeed, these donor governments would consider a multilateral organization (such as the World Bank) as a less inequality-averse agent comparatively to themselves. Therefore, the multilateral agent is likely to be less vulnerable to the Samaritan dilemma and more credible in its punishment schemes for recipients having bad policies in terms of aid management. However, this reasoning does not allow to explain why some less inequality-averse donors (such as the US or Japan) also use to delegate a discretionary rule of their aid allocation to the same multilateral organization. In this case, the multilateral agent is perceived as a more inequality-averse agent. Hagen (2006) explains this fact by a pursuit of ex-post aid efficiency in recipient countries. This pursuit indirectly achieves more equity in aid allocation because less inequality-averse donor governments consider that a multilateral agent will be more inclined to allocate aid to neediest recipient countries than themselves (see figure n°2).

Foreign aid has different productivity level in terms of increasing recipient domestic incomes and consumption. These differences could be explain by various factors among which heterogeneity in recipient government aversion against inequalities, difference in governance quality and structural vulnerability (Burnside and Dollar, 2000; Svensson, 2000; Hagen, 2006; Guillaumont, 2009). Hence, donors with less inequality-aversion are systematically incited to allocate a greater share of their aid to recipients presenting high aid productivity ex-post. These recipients are not generally poor given that a poor country is likely to present low aid performance. Aid efficiency could be better ex-post if donors increase the share of aid going to poorer recipient countries. Other things being equal, investment in these poor countries is most valuable ex-ante due to the large amount of aid that would be required to generate more outcomes. In this perspective, multilateral organizations are assumed to be more able to take into account ex-post productivity of aid when

[123] See Pedersen (1996, 2001); Svensson (2000); Hagen (2006); Azam and Laffont (2003); Nielson and Tierney (2003) Addison et al (2004).

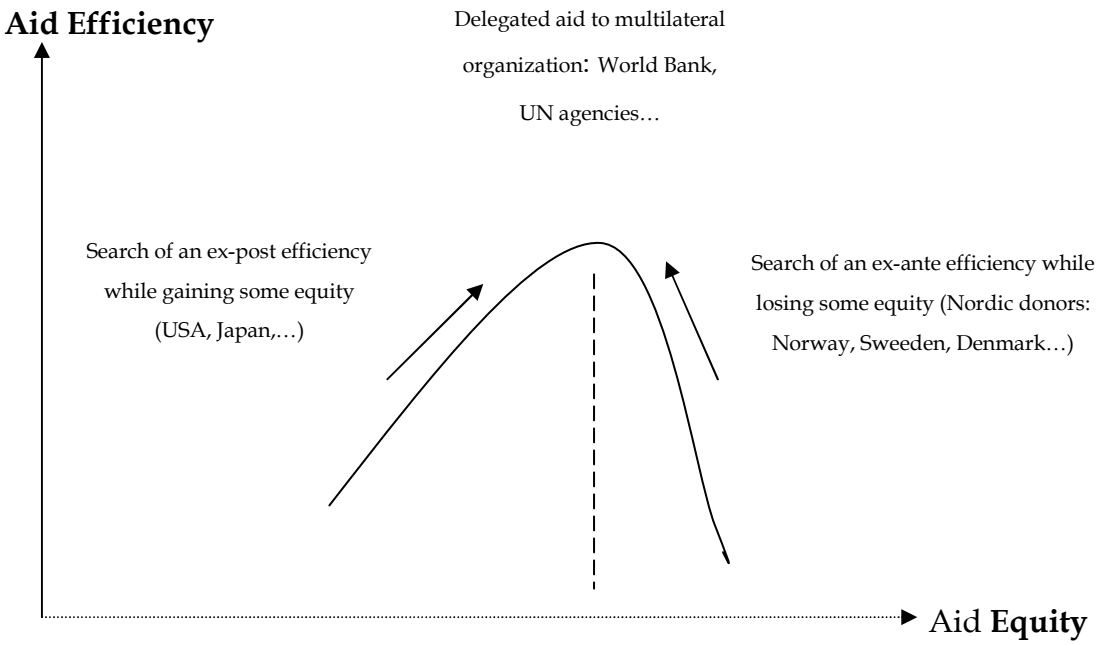
allocating their funds to recipient countries. Subsequently, according to the inequality-aversion argument of aid delegation, donor governments will seek to achieve their secondary preferences through multilateral agencies while pursuing the primary ones bilaterally. This argumentation supposes that these multilateral agencies are autonomous and not under powerful states' influences. Thus, protected against short run political pressures and uncertainties, multilateral agencies are expected to base the decision of their aid allocation both on equity and efficiency criteria rather than on interests of a specific donor government (Fleck and Kibly, 2006; Mavrotas and Villanger, 2002). However, the reality suggests that multilateral agencies are not free of influences coming from powerful states[124]. These influences are likely to undermine the credibility of these multilateral organizations as independent institutions, notably during the implementation of their social policy agendas.

Furthermore, promoting equity in aid allocation is not sufficient to ensure equity in its use in recipient countries. This later equity essentially depends on recipient governments' inequality-aversion and governance quality. As multilateral donors used to claim that their remits impose to not get overtly involved in political aspects in recipient countries, their good governance agenda marginally dealt with the questions of equity in terms of political inclusion (Brown and Stewart, 2006). As a result, multilateral aid effectiveness in reducing national and international inequalities also depends on the relative effectiveness of their aid conditionality and selectivity in recipient countries. Accordingly, aid equity and aid effectiveness can reinforce each other. Aid allocation solely based on equity criterion is likely to be condemned to inefficiency while a solely efficiency-based allocation will appear morally unacceptable, politically unsustainable and economically counter-productive at long term. Multilateral organizations mainly conceive aid equity in terms of promoting equal opportunities while aid efficiency is assumed to be achieved through the so called "good governance". Hence, governance-based aid selectivity, launched by the World Bank at the end of 90s, is completing the old system based on

[124] See for example (Wade, 2002; Fleck and Kibly, 2006; Dreher and al, 2009; Kibly, 2009; Addison et al, 2004 ; Andersen et al 2006; Neumayer, 2003)

aid conditionality in terms of political and economic reforms (World Bank, 1998; Burnside and Dollar, 2000; Dollar and Levine, 2006; Stein, 2008). If for the proponents of aid selectivity, good governance is necessary to achieve aid effectiveness, some opponents criticize its normative character and a lack of consensus on what should be qualified as good or bad in terms of governance. Besides, pragmatic point of views suggest that good governance should intervene in a second step as a mean of selectivity at aid modalities level, notably in terms of financial conditions (grant or loan) and channels to be used in recipient countries (project or budget support). It is worth noting that most bilateral and multilateral agencies have only adopted good governance principles for a fraction of their total aid. This allows them to allocate the remaining aid through other discretionary rules.

Figure n° 2: Inequality aversion, aid delegation and the trade-off between equity and efficiency in aid allocation.

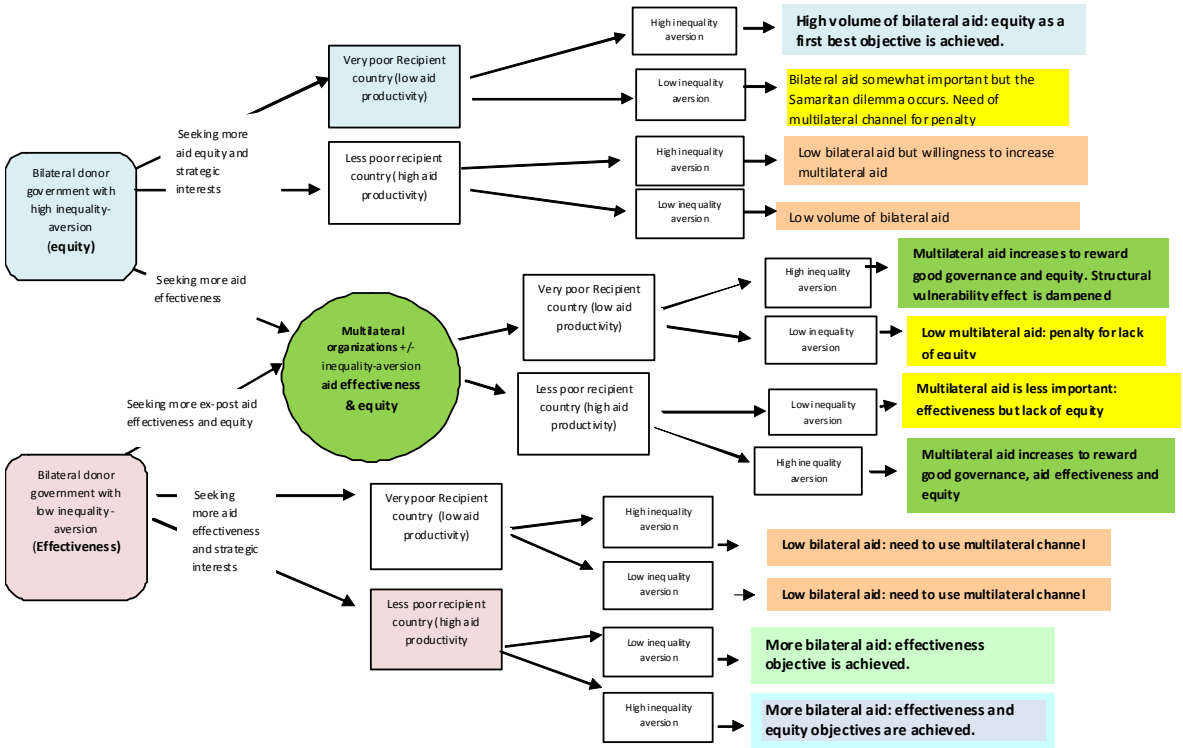


3.3. Multilateral aid and the choice between international and national inequalities reduction

International and national inequalities could be linked through the effects of aid selectivity in terms of good governance (see Figure 3). When aid allocation strategy is based on a reduction of international inequalities, this could lead to a rise of national

inequalities. Indeed, if donors decide to give more aid to poorest recipients, governments in potential recipient countries might have little incentives to undertake substantial efforts in order to improve the situation of their poor. Hence, competitions between eligible recipient countries are likely to worsen national inequalities (Pedersen, 2001; Hagen, 2006; Pedersen, 2001; Epstein & Gang, 2009, Svensson, 2000). This counter-productive effect is likely to persist even if donors base their allocation on good governance because recipient countries could improve the quality of some components of their governance infrastructures without necessary reduce within income inequalities. A recipient government with high inequality aversion will increasingly take care of the situation of poor, and therefore it risks becoming not eligible for aid. This situation will benefit to governments with low inequality aversion. Pedersen (2001) shows that increase in national inequalities is independent of the sensibility of donor in terms of inequality because this depends only on the extent of the recipient government's aversion against inequality. This suggests that aid delegation to multilateral organizations is not likely to smooth national inequalities. However, if we assume that multilateral aid is able to improve the quality of social governance in recipient countries, it could indirectly contribute to reduce national inequalities by shaping recipient government's inequality aversion. In the agenda of multilateral organizations, this means to allocate aid on a basis of equal opportunities around principles of equal effort and capacity, equal rewards of outcomes and equal redistribution (Roemer, 1998; Fleurbaey, 1998; Cogneau and Naudet, 2007; McGillivray, 2004; Milanovic, 2008; Ferreira et al, 2010). This aid aims at promoting recipient government's effort and contributing to dampen the harmful effects of structural handicaps. However, how a distinction can be made between the share of effort due to recipient's preferences and responsibility and that imputable to exogenous factors? The criteria used to assess recipients' effort can be found both at economic and institutional levels while their structural handicaps are measured through their exposition and resilience to exogenous shocks (Llavador and Roemer, 2001; Collier and Dollar, 2001; Guillaumont and Chauvet, 2001; Guillaumont, 2008, 2009).

Figure n°3: The influence of donors and recipients' inequality-aversion in aid allocation.



Source: Author using results in the model of Hagen (2006) and Pedersen (2001).

IV. Econometric evidences: the effects of aid on income inequalities and governmental social expenditures in developing countries

This section proposes a comparison between the effectiveness of multilateral and bilateral aid in terms of reduction of income inequalities and better social protection in recipient countries. To appraise the effects of aid on social protection, we examine its influences on recipient governments' social expenditures (health, education and social security). The choice of income inequalities aims at checking some theoretical arguments presented above concerning the relative reluctance of some IOs to integrate into their agenda the reduction of income inequalities insofar they prefer to talk about inequality of opportunities. So we seek to know if this theoretical preference is translated into practical consequences for the effect of their aid on these income inequalities. If the reduction of income inequalities was originally one of foreign aid objectives, it is worth noting that others objectives appeared during the

last two decades. For instance, poverty reduction and human development are currently the most targets of aid from some IOs. Therefore, in addition to be interested in income inequality, this empirical analysis might also assess the effect of aid on poverty ratio and human development index developed by UNDP. Yet, as some authors (for example Chong and Gradstein, 2009) have already analyzed these issues, we restrict our investigation on income inequalities. Besides, the choice of these three sectors (health, education, social security) is motivated by the fact that IOs are more interested by liberal approaches of social governance expressed in terms of equality of opportunities. As we have discussed in previous sections, the promotion of the principle of equality of opportunities implies to improve people capabilities in recipient countries. Therefore, recipient governments' expenditures in education, health and social security can be considered as a way to enhance opportunities and social protection. Thence, if donors' aid allows recipient governments to increase their expenditures in these sectors, aid will be then helpful for social governance in developing countries.

1. Model specification and estimation

We run on a panel data model a random effect GLS estimator and a two step IV-GMM.

$$GINI_{it} = \alpha_1 AID_{it} + \alpha_2 (AID_{it} * INST_{it}) + C_{it}\beta + \mu_i + \varepsilon_{it} \quad (1)$$

$$Social\ expenditure_{it} = \lambda_1 AID_{it} + \lambda_2 (AID_{it} * INST_{it}) + Z_{it}\delta + \mu_i + \varepsilon_{it} \quad (2)$$

GINI is the Gini index of income inequality and represents the dependant variable in the Equation (1). AID is the net disbursement of official development aid (ODA) received by the recipient "i" at period "t". The model is built over 6 periods of 5 years averaging from 1980 to 2008. AID is used under a log format. C is the vector of control variables (economic, institutional and demographic variables). Thus, μ and ϵ are the components of the stochastic error term (assumed to satisfy the usual Gauss-Markov assumptions).

In the Equation 2, *Social expenditure* is in a log format, and we use successively three types of social expenditure indicators: governmental expenditures on education, health and social security (% of GDP). Z represents a vector of control variables. In both equations, we assess the effect of aid in particular institutional setting through the coefficient associated with the interactive term (AID*INST). Indeed, we take three cases: State fragility, checks and balances and government stability. In the same perspective, we check the world regional specificities in aid effects on income inequalities and social expenditures. For that, we also introduce an interactive variable between aid variable and world region dummies. In order to deal with the potential endogeneity of some of the model regresors, notably aid variable with the GLS estimator, we also perform an instrumental variable estimation using a 2 step IV-GMM estimator. This leads to smaller standard errors as the IV-GMM estimator is more efficient. For instance, in both econometric specifications, one could suspect 2 major sources of potential endogeneity: reverse causality and missing variable bias. Indeed, in the case of income inequality we could assume that some donors are likely to increase their aid in response to initial high income inequality in recipient countries. Similarly, as we discussed in theoretical sections, it is likely that some donors used to adjust their aid volume with the extent of the recipient government expenditures on social sectors.

2. Data source and variables description (see Annex n°3)

In the equation 1, the dependant variable is *Inequality indicator (GINI). T*his variable comes from the UNU-WIDER and Texas University databases on inequality. It measures the importance of income and consumption inequality within counties. It goes from 0 to 100 with higher value indicating higher prevalence of inequality in the country. In the equation 2 the dependant variables are *Social expenditures indicators:* measuring the share in the GDP of governmental expenditures in terms of education, health and social security. These data come from the World Bank - World Development Indicators (WDI) database.

The main Explanatory variable is *AID* which represents the log of net disbursement of official development aid. The institutional variables *INST* are represented by three indicators: State fragility, checks and balances, and government stability. The *State fragility index* is introduce in order to capture the capacities and willingness of government to undertake sound economic, political and social policies as well the degree of macroeconomic vulnerability. This indicator is provided by the International Network on Conflict and Fragility (INCAF) host by OECD. The variable *Checks and balances* captures the degree of balance in countries different levels of power. This variable comes from the World Bank database on political institutions (DPI). The variable *government stability* is an assessment both of the government's ability to carry out its declared programs, and its ability to stay in office. This variable is taken from International Country Risk Guide (ICRG). We also control for the level of economic development (GDP), the demographical variables (population, the degree of urbanization, density, demographic dependency ratio). In the literature, income inequalities and social expenditures are assumed to be under the influence of the level of economic development (Kuznets hypothesis). Demographic factors, such as the structure of population, may also influence income inequalities through redistribution policies. These redistribution policies could also be affected by the extent of polarization in terms of existing social groups. Therefore have controlled for this matter by introducing, in the inequality regression, a variable labeled "social polarization" that reflects the population share of the largest group (plurality group) in the country. A greater polarization is expected to reduce income inequalities insofar it is likely to lessen an ethnic-based social exclusion. Besides, the influence of economic development on income inequalities depends on the source of this national wealth. For instance, if this wealth comes from rent activities, its redistribution to poor people could be problematic because elites are likely to capture a large part of this rent. In order to take into account this effect, we add two additional control variables, namely forest rents (% of GDP) and mineral rents (% of GDP). Thus, we expect that more the share of rents in national wealth is high more income inequalities will increase while the effect on governments' social expenditures is not predetermined.

We also use a variable measuring the level of participation in globalization. The overall index of globalization is the weighted average of economic globalization, social globalization and political globalization. Most weight has been given to economic followed by social globalization. The level of participation in globalization may also influence the level of income inequalities and the capacity of governments to implement social policies. Indeed, economic liberalization could increase the wealth of a category of population (through trade for example) while generating a further employment vulnerability for others. Similarly, globalization may hinder the ability of recipient governments to pursue welfare policies insofar the dominance of liberal approaches favors the emergence of market of private social security. In order to check the existence of world region heterogeneities, we introduced some dummies for Africa, Asia and Latin America.

Concerning the instrumental variables that have been used to solve the endogeneity of main explanatory variables (AID, AID*INST), we have developed a variable measuring the weight of three main bilateral donors (France, UK, USA) and two main multilateral donors (IDA/World Bank and EDF/European Commission) among the total aid received by each recipient country. As shown previously in the figure 3, donors' preference in terms of equity and social policies are likely to influence recipient governments' policies towards inequality and social considerations. This influence is channeled through the importance of their aid in recipient countries. Therefore, these variables can play a role of instrument for the effect of aid on income inequality and social expenditures insofar its influence on inequality and social policies are channeled only through aid variables. A second set of instrumental variables is the proportion of grant in total aid received by each recipient country and the level of their aid dependency. Aid dependency and a high proportion of grant are likely to influence recipient income inequality as well social expenditures through their impacts on the quality of governance infrastructures. The third set of instruments is the legal origin (for inequality regression) and the social polarization (for social expenditures regressions). The legal origin is likely to influence recipient income inequality through its effect on current institutional

quality (see Laporta et al, 2008) while social polarization does the same on government social expenditures (see Brown and Stewart, 2006).

3. Results and interpretations

3.1. Effects of aid on income inequality (Table 1 to 4)

The main results presented in Table 1 show that multilateral aid has no statistically significant effect on recipient countries income inequality (col. 1). However, when the institutional quality is taken into account, notably the level of checks and balances and government stability, multilateral aid reduces inequalities only in recipient countries presenting higher institutional quality, all other things being equal (column 8, 9, 12, 13). In weak governance quality context, multilateral aid can even contribute to worsen income inequalities. A good quality of checks and balances implies a greater extent of power balance in recipient countries, which is useful for redistributive policies. Similarly, better government stability is needed for ensuring the ability of governments to implement social policies. These results remain fundamentally unchanged when we compare GLS estimations with those of IV-GMM but for the later, the size of the reducing effect is greater. For example when we compare column 12 and 13 we remark that an increase of 1 point of multilateral aid in recipient countries with a greater government stability entails a reduction of 0.21 point of income inequalities when we do not proceed to instrumentation, but this reducing effect is 0.90 point in instrumentation regression. This suggests that our instruments improve the quality of the results as witnessed by the set of tests of validity of instruments (Hansen, Cragg-Donald, Anderson-Rubin, Shea) that we present in the bottom of each table of results (See Annex 2 for their interpretations). These results are similar to those found by Chong and Gradstein (2009) on the effects of global aid on income inequalities. The results support theoretical arguments according to which aid can become a rent for public officials in the case of bad governance in recipient countries. Hence it is likely to allow a small fraction of the

population of recipient countries to monopolize aid resources. The same findings also stand for bilateral donors whose aid impact on inequality is more significant in fragile states unlike multilateral one (column 4 to 7). This difference can be partially explained by the fact that the fragility of most developing states is related to conflict or post-conflict situations where bilateral donors are likely to play a greater role comparatively to multilateral donors. In fragility situations, the capacity and willingness of recipient governments to undertake sound economic, political and social policies as well as their capacity to adopt a strategy for coping with macroeconomic vulnerability are weakened. Besides, another explanation can be found into world regional specificities in terms of state fragility as highlighted in Table 2. Indeed, when we control for the effect of aid in some world region such as Sub-Saharan Africa and Latin America-Caraibes, we found that multilateral aid contributes to reduce income inequality in fragile states. More particularly, multilateral aid entails lower inequality in Latin America and Caribbean recipient countries (Table 2, col. 4). This is not the case in Asia-Pacific region. Yet, the specificity of this region is revealed in Table 4 (column 7 to 9) where the government stability is taken into account. An increase in multilateral or bilateral aid is associated with higher income inequalities. However, if we control for the effect of checks and balances while measuring the influence of aid upon income inequality, only Sub-Sahara Africa region allows bilateral aid to reduce it (Table 3, col. 2).

3.2. Effects of aid on recipient governments' social expenditures (Table 5)

The Table 5 presents the main findings of the estimation of the effects of aid on recipient governments' social expenditures. Multilateral aid positively influences the share of education expenditures (% GDP) of recipient countries (col. 1). However, this effect becomes negative after correcting for endogeneity of aid variable (col. 4). Hence, an increase of 1 point of aid entails a reduction of 0.21 point in the share of recipient governments' expenditures in education sector. Multilateral aid does not present any significant effects on the proportion of the recipient government's

expenditures in health, but its effect is positive on social security expenditures (0.27 point). Besides, while taking into account the degree of state fragility, an increase in multilateral aid entails a higher level of education expenditures but lower level of health expenditures. In the same perspective, an increase of multilateral aid for the sample of Sub-Saharan Africa countries generates negative effects on education and social security expenditures. Similar results are found for bilateral donors as well as for all donors. These results may suggest that the effectiveness of aid in terms of increasing governmental social expenditures is lower in African countries comparatively to other world regions. One of potential explanations of this fact is the existence of some crowding out effects of foreign aid due to its fungibility. This could be view typically as the situation of Samaritan dilemma when giving aid leads to lower efforts of recipient governments in weak governance contexts. However, this result should not be problematic if we assume that multilateral donors are more inclined to target their aid on social sectors without using the channel of government budget in these recipient countries. With such assumptions, recipient government's weak resources may go to other sectors in the economy in the case of good governance, but in the pockets of public officials in the case of bad governance.

3.3. The effects of globalization and socio-economic factors (Table 1 to 5)

We found that a greater participation to globalization entails an increase in domestic income inequalities and an increase in the proportion (%GDP) of recipient government's expenditures in education and health. However, there is no significant effect on social security expenditures. These findings are in the right line with the arguments according to which globalization reduces the capacity of governments to implement welfare policies and social protection. Indeed, the growing liberal economy implies allowing people to access to the market of private social security. In addition, economic liberalization is likely to favor, in short term, only a limited set of economic sectors, and thereby a fraction of population engaged in these sectors

while entailing some employment vulnerability for others. From these perspectives, national income inequalities could be worsened.

We also found that the level of economic development (GDP) influences negatively income inequalities and positively the share of health expenditures in GDP. However, these effect are not linear since the sign of the coefficient associated with the square of GDP is significantly positive in income inequality regressions and negative in health expenditure ones. The results show that the extent of natural resources rents in national wealth is correlated with income inequalities and social expenditures. For instance, mineral rents are positively correlated with income inequalities only when we control for state fragility while being only correlate with governmental expenditures in health sector. These results support the idea according to which resources provided by rents are likely to be captured by a small part of population, increasing then income inequalities. Besides, a greater social polarization was found to be negatively correlated with income inequalities. This result can be explained by the fact that a greater social polarization will reduce the likelihood of ethnic-based social exclusion through redistributive policies.

3.4. Discussion on the tests of instrumentation

The Hansen j test is a test of overidentifying restrictions. The joint null hypothesis is that the instruments are valid instruments (uncorrelated with the error term), and that the excluded instruments are correctly excluded from the estimated equation. So, when the P. value is superior to 0.10 we cannot reject the null hypothesis which means that our instruments are valid. In all of our results presented in Table 1 to 5, the P value of Hansen J test is superior to 0.10 (except for social security expenditures regressions where it is around 0.08). This suggests that the choice of our instruments was relevant. This result is reinforced by the chi-squared version of the Cragg-Donald test statistic which shows that our equations are identified. Indeed, since the null hypothesis of this test is that equations are underidentified, a P value inferior to

0.10 leads to a rejection of this hypothesis, which is the case in all estimations that we run. In addition, we present in each table, the results of Anderson-Rubin statistics that provide weak-instrument robust inference for testing the significance of the endogenous regressors in the structural equation being estimated. The null hypothesis tested that the coefficients of the excluded instruments are jointly equal to zero. In all of our regressions, we reject this hypothesis insofar the P value associated to it is inferior to 0.10. This shows that our instruments have contributed to improve the quality of results by reducing bias resulting from an absence of instrumentation in GLS estimations. This explanatory power of our instruments is further confirmed with the first-stage results which are presented in the bottom of each table. This is the case of the Shea's "partial R-squared" measuring the relevance of instrument taking into account intercorrelations among instruments while seizing their correlation with the endogenous regressors.

Conclusion

This chapter has brought some theoretical investigations aiming to assess the effectiveness of multilateral aid in terms of income inequalities reduction and an improvement of social protection in recipient countries. In addition, some of these theoretical arguments were checked empirically through econometric estimations. In this perspective, we have discussed the theoretical conception of inequalities and social policies by IOs. These IOs are strongly influenced by liberal approaches of income inequalities that focus on equity and equality of opportunity. We have identified two doctrines of inequalities in multilateral organizations discourses and policies: Bretton Woods doctrine and UN doctrine. While considering multilateral aid as a tool of global social governance, we have explored the political economy underlying donors' aid delegation system to IOs. For that, we have used the framework of Samaritan dilemma approaches in order to explain the trade-off between the efficiency and equity of aid. To some extent, this trade-off has motivated the emergence of the good governance doctrine in the process of multilateral aid

allocation. The theoretical arguments, stipulating that foreign aid is likely to become more efficient in recipient countries presenting good governance infrastructures, are supported by the econometric analyses undertaken in this chapter. Indeed, the empirical investigations show that, in better governance contexts, multilateral aid is likely to be beneficial for social development and inequality reduction in developing countries. This efficiency of multilateral aid is also more substantial in fragile states where domestic politics undermines the will and capacity of public authorities to implement sound social governance policies. Meanwhile, the current economic crisis is likely to generate some decline in bilateral and multilateral aid in poor countries while worsening the structure of world inequality. Some consequences of these situations could challenge the stability of national, regional and international powers in terms of social unrest, civil war, transnational migration and contestations of the current world order. Therefore, the extent to which international actors will take into account the social dimensions of global governance will condition the future pattern of the world system inequalities.

Table n° 1: The effects of aid on income inequalities in developing countries (dependant variable= GINI index, 1980-2008)

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
				X= OECD/INCAF state fragility index				X= DPI Checks and balances index				X= ICRG Government stability index			
VARIABLES	**Multi GLS**	**Bila GLS**	**All GLS**	**Multi GLS**	**Multi IV-GMM**	**Bila IV-GMM**	**All IV-GMM**	**Multi GLS**	**Multi IV-GMM**	**Bila IV-GMM**	**All IV-GMM**	**Multi GLS**	**Multi IV-GMM**	**Bila IV-GMM**	**All IV-GMM**
Aid	0.0336	0.583**	0.491*	0.200	0.426	1.357**	1.647**	0.757**	1.094	1.286	1.158	1.620***	5.725**	6.414*	7.162**
	(0.156)	(2.364)	(1.913)	(0.763)	(0.836)	(2.039)	(2.205)	(2.253)	(1.099)	(1.205)	(1.161)	(2.660)	(2.133)	(1.739)	(1.997)
Aid*X				-0.662	-3.357	-7.312**	-8.047***	-0.259**	-0.645*	-0.610	-0.628	-0.213**	-0.905**	-1.080**	-1.195**
				(-1.220)	(-1.557)	(-2.527)	(-2.628)	(-2.182)	(-1.698)	(-1.479)	(-1.589)	(-2.467)	(-2.492)	(-2.079)	(-2.322)
X (institutional quality)				1.695	14.23*	34.18**	41.11***	1.016**	3.444**	3.982*	4.339*	0.559	3.551**	4.987*	6.312**
				(0.698)	(1.655)	(2.529)	(2.632)	(2.085)	(2.042)	(1.717)	(1.833)	(1.287)	(2.262)	(1.796)	(2.145)
GDP	-4.871*	-5.157*	-5.245*	-4.537	-2.360	2.749	2.290	-5.983*	-8.393***	-9.807***	-9.325***	-10.05**	-13.58***	-18.34***	-16.27***
	(-1.720)	(-1.927)	(-1.926)	(-1.555)	(-0.849)	(0.660)	(0.583)	(-1.901)	(-3.610)	(-3.832)	(-3.814)	(-2.257)	(-3.811)	(-4.218)	(-4.031)
GDP^2	0.215	0.210	0.220	0.202	0.131	-0.104	-0.0753	0.279*	0.399***	0.466***	0.446***	0.469**	0.651***	0.887***	0.777***
	(1.442)	(1.519)	(1.555)	(1.326)	(0.972)	(-0.518)	(-0.403)	(1.718)	(3.393)	(3.778)	(3.711)	(2.152)	(3.767)	(4.272)	(4.019)
Population	3.268***	3.143***	3.209***	3.271***	2.223***	1.010	0.970	2.762**	3.276***	3.827***	3.711***	3.448**	3.566***	5.291***	4.510***
	(3.165)	(3.096)	(3.085)	(3.118)	(2.771)	(0.981)	(0.981)	(2.335)	(3.798)	(4.218)	(4.099)	(2.187)	(3.131)	(4.039)	(3.572)
Population^2	-0.587***	-0.559***	-0.578***	-0.601***	-0.531***	-0.395**	-0.416***	-0.544**	-0.625***	-0.765***	-0.734***	-0.754***	-0.846***	-1.111***	-0.950***
	(-2.750)	(-2.776)	(-2.763)	(-2.853)	(-3.960)	(-2.480)	(-2.890)	(-2.270)	(-4.358)	(-5.854)	(-5.643)	(-3.147)	(-4.808)	(-5.809)	(-5.216)
Urbanization	0.0475	0.0517	0.0525	0.0490	-0.00389	-0.0214	-0.0199	0.0542	0.00530	0.0253	0.0134	0.0653	0.00818	-0.00745	-0.00896
	(1.336)	(1.347)	(1.432)	(1.369)	(-0.150)	(-0.734)	(-0.708)	(1.557)	(0.194)	(0.860)	(0.496)	(1.605)	(0.249)	(-0.232)	(-0.296)
Population density	0.161	0.0652	0.0848	0.215	0.0942	-0.0792	-0.0733	0.195	-0.0671	-0.161	-0.136	0.327	0.295	-0.0260	0.134
	(0.397)	(0.159)	(0.208)	(0.517)	(0.279)	(-0.218)	(-0.199)	(0.463)	(-0.201)	(-0.479)	(-0.410)	(0.653)	(0.682)	(-0.0561)	(0.294)
Demographic dependancy	6.426**	5.500*	5.597*	6.976**	3.965**	5.086**	4.917**	7.073**	4.774**	3.894*	3.942*	0.377	-1.281	-0.592	-0.0901
	(2.029)	(1.702)	(1.701)	(2.165)	(2.024)	(2.439)	(2.426)	(2.323)	(1.997)	(1.769)	(1.828)	(0.110)	(-0.527)	(-0.248)	(-0.0370)
Social polarization	-3.704*	-3.552	-3.587	-3.900*	-6.952***	-6.066***	-6.474***	-4.263*	-5.838***	-4.678***	-5.049***	-5.141**	-6.114***	-6.297***	-6.733***
	(-1.703)	(-1.554)	(-1.597)	(-1.749)	(-4.290)	(-3.564)	(-3.685)	(-1.908)	(-3.960)	(-3.146)	(-3.505)	(-2.283)	(-3.616)	(-3.327)	(-3.966)
Foreest rent	1.165	0.882	0.919	1.297	2.106***	1.379*	1.720**	1.292	2.400***	2.352***	2.332***	1.162	1.276	1.729*	1.419
	(1.321)	(1.018)	(1.058)	(1.462)	(2.749)	(1.691)	(2.191)	(1.487)	(3.040)	(2.915)	(2.958)	(1.146)	(1.344)	(1.753)	(1.520)
Mineral rent	0.676	0.668	0.686	0.767	1.209**	0.940*	1.087**	0.871	1.361**	1.304**	1.329**	0.373	0.934	0.410	0.602
	(0.893)	(0.853)	(0.886)	(1.000)	(2.543)	(1.672)	(2.075)	(0.964)	(2.257)	(2.177)	(2.236)	(0.354)	(1.153)	(0.527)	(0.769)
Globalization index	0.178***	0.164***	0.163***	0.182***	0.220***	0.208***	0.209***	0.167***	0.170***	0.142***	0.155***	0.128*	0.116	0.172**	0.169**
	(3.377)	(3.208)	(3.147)	(3.451)	(4.373)	(4.018)	(4.062)	(3.187)	(3.855)	(3.109)	(3.310)	(1.944)	(1.614)	(2.176)	(2.190)
ASIA-PACIFIC	1.115	1.156	1.393	1.128	-0.955	-0.328	-0.0283	0.305	-3.638*	-2.036	-2.335	0.704	-0.0878	0.168	-0.0304
	(0.610)	(0.645)	(0.769)	(0.616)	(-0.741)	(-0.265)	(-0.0216)	(0.152)	(-1.955)	(-1.345)	(-1.502)	(0.330)	(-0.0443)	(0.0962)	(-0.0172)
LATIN AMERICA-CARAIB	4.261***	4.787***	4.869***	4.212***	2.743***	4.189***	4.534***	4.045***	0.978	1.452	1.525	4.533**	3.972***	2.949*	3.291**
	(2.716)	(2.999)	(3.032)	(2.643)	(3.000)	(3.649)	(3.711)	(2.618)	(0.787)	(1.171)	(1.269)	(2.521)	(2.679)	(1.852)	(1.971)
AFRICA SS	4.213***	4.025**	4.275***	4.416***	0.728	2.121	2.488	3.634**	0.281	0.833	0.910	4.494**	3.280**	2.106	2.147
	(2.623)	(2.417)	(2.594)	(2.611)	(0.507)	(1.339)	(1.629)	(2.227)	(0.225)	(0.728)	(0.782)	(2.384)	(2.228)	(1.586)	(1.489)
Observations	443	444	444	443	422	422	422	390	371	371	371	277	262	262	262
Number of country	92	92	92	92	92	92	92	91	91	91	91	76	76	76	76
Adj. R-squared	0.349	0.350	0.352	0.353	0.304	0.145	0.117	0.363	0.339	0.335	0.341	0.447	0.401	0.378	0.387
Hansen j stat					13.17	5.191	5.363		10.85	12.21	11.87		7.439	9.000	8.664
Hansen j P- val					0.214	0.878	0.866		0.369	0.271	0.294		0.683	0.532	0.564
Cragg-Donald N*CDEV sta					20.07	22.91	20.29		42.78	43.50	51.29		35.43	26.67	31.12
Cragg-Donald P-val					0.0445	0.0182	0.0416		1.19e-05	8.89e-06	3.66e-07		0.000210	0.00515	0.00106
Anderson-Rubin test					22.66	19.59	21.16		25.02	23.57	24.74		26.53	28.18	28.16
Anderson-Rubin P-val					0.0459	0.106	0.0697		0.0229	0.0354	0.0250		0.0144	0.00855	0.00860
First stage instrumentation															
Shea par. R2 Aid Eq.					0.21	0.18	0.17		0.16	0.15	0.18		0.13	0.10	0.11
Shea par. R2 Aid*X Eq.					0.05	0.05	0.05		0.11	0.11	0.12		0.12	0.09	0.10
Shea par. R2 X Eq.					0.06	0.06	0.06		0.13	0.11	0.13		0.12	0.09	0.10
Partial R2 Aid Eq.					0.46	0.31	0.37		0.43	0.32	0.37		0.36	0.27	0.26
Partial R2 Aid*X iEq.					0.09	0.08	0.09		0.22	0.20	0.21		0.32	0.18	0.20
Partial R2 X Eq.					0.09	0.10	0.10		0.21	0.21	0.23		0.19	0.19	0.18

Note : *** p<0.01, ** p<0.05, * p<0.1. Multi = Multilateral; Bila = Bilateral; All= All donors. Aid = disbursement. The panel is run over 6 periods using the 5 years average values of each variable. The instrumental variables are: Grant share, Aid dependency, Donor aid weight and Legal origin.

Table n°2 : The effects of aid on income inequalities in developing countries: the specificity of world regions and State fragily (dependant variable= GINI index, 1980-2008)

VARIABLES	1 **Multi** **IV-GMM**	2 **Bila** **IV-GMM**	3 **All** **IV-GMM**	4 **Multi** **IV-GMM**	5 **Bila** **IV-GMM**	6 **All** **IV-GMM**	7 **Multi** **IV-GMM**	8 **Bila** **IV-GMM**	9 **All** **IV-GMM**
	X = SS Africa			**X = Latin America & Caraibes**			**X = Asia Pacific**		
Aid	-0.323	1.185	2.053	1.839**	1.452*	1.538*	0.190	1.139	1.238*
	(-0.470)	(1.275)	(1.365)	(2.323)	(1.830)	(1.886)	(0.338)	(1.615)	(1.646)
Aid * X	2.824	-0.121	-1.548	-5.589**	-0.0307	1.051	0.795	-0.583	0.0565
	(1.621)	(-0.0606)	(-0.476)	(-2.029)	(-0.0193)	(0.555)	(0.621)	(-0.388)	(0.0376)
X (world region dummy)	-10.65	0.882	8.610	19.92**	3.977	-0.970	-5.271	0.512	-2.941
	(-1.536)	(0.0986)	(0.523)	(2.356)	(0.609)	(-0.112)	(-1.143)	(0.0659)	(-0.359)
Aid * State fragility	-6.357**	-7.886**	-8.338**	-4.589*	-6.815**	-8.374**	-3.766	-7.763**	-8.385**
	(-2.211)	(-2.443)	(-2.470)	(-1.891)	(-2.182)	(-2.360)	(-1.634)	(-2.467)	(-2.484)
State fragility	25.70**	36.17**	40.14**	19.68**	34.68**	44.33**	13.94	35.23**	41.34**
	(2.074)	(2.396)	(2.298)	(2.118)	(2.391)	(2.510)	(1.553)	(2.437)	(2.445)
GDP	-1.050	3.553	3.378	-2.420	2.495	2.783	-2.402	2.486	2.120
	(-0.315)	(0.770)	(0.785)	(-0.786)	(0.554)	(0.636)	(-0.826)	(0.572)	(0.505)
GDP^2	0.0970	-0.133	-0.127	0.154	-0.0971	-0.104	0.131	-0.0741	-0.0596
	(0.620)	(-0.592)	(-0.608)	(1.016)	(-0.451)	(-0.501)	(0.931)	(-0.356)	(-0.298)
Population	0.863	1.014	1.343	1.653*	0.749	0.729	2.493***	1.065	1.151
	(0.659)	(0.864)	(1.125)	(1.853)	(0.704)	(0.694)	(3.028)	(1.019)	(1.139)
Population^2	-0.427**	-0.458***	-0.538***	-0.576***	-0.364**	-0.385**	-0.587***	-0.463***	-0.475***
	(-2.209)	(-2.677)	(-3.132)	(-3.980)	(-2.160)	(-2.532)	(-4.477)	(-2.861)	(-3.235)
Urbanization	0.00374	0.0122	0.0177	-0.00478	-0.0165	-0.0252	0.0162	-0.00238	-0.000425
	(0.131)	(0.379)	(0.495)	(-0.159)	(-0.450)	(-0.730)	(0.595)	(-0.0712)	(-0.0132)
Population density	0.222	0.119	0.114	-0.0936	-0.0805	-0.0796	0.306	0.0986	0.118
	(0.647)	(0.312)	(0.299)	(-0.250)	(-0.215)	(-0.206)	(0.889)	(0.264)	(0.315)
Foreest rent	2.629***	2.307***	2.799***	2.581***	1.279	1.764**	2.990***	2.645***	3.043***
	(3.719)	(3.165)	(3.636)	(3.053)	(1.590)	(2.335)	(4.229)	(3.637)	(4.113)
Mineral rent	1.427***	1.025*	1.201**	1.474***	0.929	1.108**	1.383***	1.221**	1.411***
	(2.816)	(1.806)	(2.292)	(2.683)	(1.553)	(1.993)	(3.019)	(2.266)	(2.785)
Demographic dependancy	5.756***	7.186***	6.867***	7.410***	4.876**	4.858**	4.482**	6.357***	6.260***
	(2.874)	(3.229)	(3.023)	(3.064)	(2.177)	(2.249)	(2.182)	(2.886)	(2.900)
Globalization index	0.213***	0.246***	0.247***	0.229***	0.220***	0.227***	0.239***	0.250***	0.254***
	(4.068)	(4.461)	(4.556)	(4.428)	(4.197)	(4.380)	(5.019)	(4.717)	(4.852)
Social polarization	-6.372***	-7.532***	-8.978***	-7.284***	-6.612***	-7.728***	-8.010***	-7.110***	-7.990***
	(-3.236)	(-3.586)	(-3.426)	(-3.699)	(-3.433)	(-3.797)	(-4.381)	(-3.969)	(-4.382)
Observations	422	422	422	422	422	422	422	422	422
R-squared	0.186	0.049	-0.074	0.045	0.143	0.060	0.261	0.079	0.042
Number of country	92	92	92	92	92	92	92	92	91
Hansen j stat	11.28	10.48	9.417	7.066	6.459	6.652	13.88	9.031	8.589
Hansen j P- val	0.257	0.313	0.400	0.630	0.693	0.673	0.127	0.434	0.476
Cragg-Donald N*CDEV	19.68	18.47	9.142	15.22	14.28	12.15	18.45	20.36	17.62
Cragg-Donald P-val	0.0325	0.0476	0.519	0.124	0.160	0.275	0.0478	0.0261	0.0616
Anderson-Rubin test	28.17	27.98	28.22	27.02	24.52	26.66	28.08	26.51	26.98
Anderson-Rubin P-val	0.00858	0.00911	0.00844	0.0124	0.0267	0.0139	0.00881	0.0145	0.0125
First stage instrumentation									
Shea partial R2 Aid Eq.	0.13	0.09	0.04	0.18	0.21	0.23	0.21	0.16	0.16
Shea part. R2 Aid*fragility.	0.06	0.08	0.08	0.06	0.05	0.05	0.05	0.05	0.04
Shea par. R2 Aid*X.	0.09	0.10	0.04	0.04	0.08	0.09	0.23	0.19	0.22
Shea partial R2 fragility	0.07	0.08	0.08	0.07	0.06	0.06	0.07	0.06	0.05
Partial R2 Aid Eq.	0.51	0.30	0.40	0.51	0.30	0.39	0.49	0.34	0.42
Partial R2 Aid*fragility Eq.	0.09	0.08	0.09	0.10	0.12	0.12	0.112	0.12	0.13
Partial R2 Aid*X Eq.	0.27	0.21	0.26	0.08	0.10	0.12	0.28	0.23	0.25
Partial R2 fragility Eq.	0.09	0.10	0.10	0.11	0.13	0.14	0.13	0.14	0.15

Note: *** p<0.01, ** p<0.05, * p<0.1. Multi = Multilateral; Bila = Bilateral; All= All donors. Aid = disbursement. The panel is run over 6 periods using the 5 years average values of each variable. The instrumental variables are: Grant share, Aid dependency, Donor aid weight and Legal origin.

Table n°3 : The effects of aid on income inequalities in developing countries: the specificity of world regions and Checks and balances (dependant variable= GINI index, 1980-2008)

VARIABLES	1 **Multi** **IV-GMM**	2 **Bila** **IV-GMM**	3 **All** **IV-GMM**	4 **Multi** **IV-GMM**	5 **Bila** **IV-GMM**	6 **All** **IV-GMM**	7 **Multi** **IV-GMM**	8 **Bila** **IV-GMM**	9 **All** **IV-GMM**
	X = SS Africa			**X = Latin America & Caraibes**			**X = Asia Pacific**		
Aid	1.286	3.460**	2.286	2.053*	1.689	1.455	0.735	1.754	1.154
	(1.117)	(2.101)	(1.435)	(1.882)	(1.551)	(1.366)	(0.589)	(1.393)	(0.909)
Aid * X	-0.0871	-4.265*	-2.590	-3.004	0.159	-0.421	5.596	4.722	6.160
	(-0.062)	(-1.763)	(-0.989)	(-1.248)	(0.108)	(-0.258)	(1.520)	(1.315)	(1.458)
X (world region dummy)	0.772	20.09*	13.80	11.28	0.402	3.238	-23.90*	-28.29	-37.77
	(0.146)	(1.789)	(1.023)	(1.370)	(0.0615)	(0.412)	(-1.844)	(-1.459)	(-1.594)
Aid *Checks & balances	-0.649*	-1.055**	-0.771*	-0.583*	-0.749*	-0.671*	-0.785*	-1.165**	-1.050*
	(-1.899)	(-2.222)	(-1.921)	(-1.683)	(-1.789)	(-1.687)	(-1.835)	(-2.022)	(-1.896)
Checks and balances	4.250**	7.322**	5.853**	3.332*	5.247**	5.055**	6.412**	8.646**	8.831**
	(2.469)	(2.565)	(2.269)	(1.895)	(2.142)	(2.062)	(2.559)	(2.275)	(2.237)
GDP	-8.54***	-6.231	-7.272**	-9.641***	-10.88***	-10.68***	-7.570**	-9.311***	-8.039**
	(-3.443)	(-1.549)	(-2.006)	(-4.080)	(-3.862)	(-3.973)	(-2.551)	(-2.803)	(-2.327)
GDP^2	0.404***	0.250	0.331*	0.475***	0.503***	0.502***	0.292*	0.365**	0.301
	(3.177)	(1.213)	(1.792)	(3.850)	(3.580)	(3.685)	(1.780)	(2.000)	(1.529)
Population	3.554***	5.308***	4.542***	3.018***	4.297***	4.157***	4.682***	5.227***	5.071***
	(3.356)	(4.169)	(4.091)	(3.017)	(4.674)	(4.604)	(3.507)	(4.074)	(3.999)
Population^2	-0.73***	-0.87***	-0.858***	-0.745***	-0.840***	-0.832***	-0.716***	-0.737***	-0.699***
	(-5.058)	(-6.084)	(-6.440)	(-5.682)	(-6.014)	(-6.084)	(-4.049)	(-4.220)	(-3.916)
Urbanization	0.0312	0.0580*	0.0389	0.0108	0.0375	0.0253	0.0274	0.0726*	0.0539
	(1.175)	(1.803)	(1.343)	(0.344)	(1.186)	(0.900)	(0.850)	(1.786)	(1.488)
Population density	-0.0844	-0.597	-0.251	-0.221	-0.221	-0.181	-0.346	-0.641	-0.581
	(-0.242)	(-1.213)	(-0.594)	(-0.652)	(-0.646)	(-0.548)	(-0.760)	(-1.230)	(-1.130)
Foreest rent	2.314***	2.725***	2.800***	2.089***	2.364***	2.399***	2.490***	2.998***	2.713***
	(3.283)	(3.552)	(3.773)	(2.925)	(3.254)	(3.393)	(3.281)	(3.598)	(3.344)
Mineral rent	1.060*	0.826	1.084*	1.272*	0.995	1.003	1.212	1.242*	1.211
	(1.668)	(1.127)	(1.664)	(1.904)	(1.522)	(1.587)	(1.585)	(1.681)	(1.596)
Demogra. dependancy	7.383***	6.351**	5.356**	7.980***	5.378**	5.670**	9.084**	7.491**	8.287**
	(2.930)	(2.429)	(2.273)	(3.052)	(2.220)	(2.378)	(2.362)	(2.224)	(2.219)
Globalization index	0.155***	0.159***	0.170***	0.144***	0.126**	0.141***	0.156***	0.116*	0.139**
	(3.020)	(2.895)	(3.246)	(3.140)	(2.545)	(2.870)	(2.856)	(1.956)	(2.398)
Social polarization	-5.80***	-5.53***	-6.177***	-6.523***	-5.110***	-5.721***	-5.530***	-2.777	-3.767**
	(-3.446)	(-2.740)	(-3.294)	(-4.297)	(-3.378)	(-4.020)	(-3.138)	(-1.371)	(-2.000)
Observations	371	371	371	371	371	371	371	371	371
R-squared	0.278	0.134	0.261	0.223	0.284	0.292	0.046	0.040	0.025
Number of country	91	91	91	91	91	91	91	91	91
Hansen j stat	10.48	6.296	9.997	8.899	10.02	10.14	7.483	8.340	7.863
Hansen j P- val	0.313	0.710	0.351	0.447	0.349	0.340	0.587	0.500	0.548
Cragg-Donald N*CDEV	41.27	22.43	18.14	20.10	35.50	42.34	10.88	15.34	12.41
Cragg-Donald P-val	0.000	0.0131	0.0526	0.0283	0.0001	6.51e-06	0.367	0.120	0.259
Anderson-Rubin test	31.09	31.64	32.10	28.76	27.92	29.42	30.31	29.25	29.85
Anderson-Rubin P-val	0.00327	0.00271	0.00232	0.00707	0.00930	0.00570	0.00424	0.00603	0.00494
First stage instrumentation									
Shea partial R2 Aid Eq.	0.15	0.09	0.09	0.19	0.17	0.19	0.16	0.16	0.18
Shea pa. R2 Aid*checks	0.13	0.11	0.14	0.14	0.13	0.15	0.12	0.09	0.10
Shea par. R2 Aid*X.	0.11	0.07	0.05	0.06	0.12	0.12	0.05	0.07	0.06
Shea partial R2 checks	0.11	0.10	0.12	0.13	0.12	0.14	0.08	0.07	0.07
Partial R2 Aid Eq.	0.47	0.29	0.36	0.47	0.30	0.37	0.45	0.32	0.38
Partial R2 Aid*checks	0.25	0.17	0.19	0.25	0.18	0.20	0.21	0.18	0.18
Partial R2 Aid*X Eq.	0.25	0.16	0.21	0.11	0.14	0.13	0.24	0.19	0.21
Partial R2 checks Eq.	0.15	0.16	0.17	0.18	0.18	0.20	0.114	0.15	0.15

Note: *** p<0.01, ** p<0.05, * p<0.1. Multi = Multilateral; Bila = Bilateral; All= All donors. Aid = disbursement. The panel is run over 6 periods using the 5 years average values of each variable. The instrumental variables are: Grant share, Aid dependency, Donor aid weight and Legal origin.

Table n°4 : The effects of aid on income inequalities in developing countries: the specificity of world regions and government stability (dependant variable= GINI index, 1980-2008)

	1	2	3	4	5	6	7	8	9
	Multi	**Bila**	**All**	**Multi**	**Bila**	**All**	**Multi**	**Bila**	**All**
VARIABLES	**IV-GMM**	**IV-GMM**	**IV-GMM**	**IV-GMM**	**IV-GMM**	**IV-GMM**	**IV-GMM**	**IV-GMM**	**IV-GMM**
	X = SS Africa			**X = Latin America & Caraibes**			**X = Asia Pacific**		
Aid	4.502*	3.557	3.815	5.481**	6.465*	7.449**	5.420**	7.541*	8.538**
	(1.718)	(0.918)	(1.019)	(2.187)	(1.767)	(2.028)	(2.057)	(1.792)	(2.174)
Aid * X	-0.0169	-0.573	2.011	-0.362	2.654	2.543	3.812*	10.69*	7.940*
	(-0.0114)	(-0.200)	(0.575)	(-0.185)	(1.102)	(0.914)	(1.718)	(1.850)	(1.810)
X (world region dummy)	0.882	3.729	-10.66	3.821	-10.53	-10.69	-18.56**	-66.44*	-51.61*
	(0.140)	(0.256)	(-0.544)	(0.558)	(-0.903)	(-0.742)	(-2.018)	(-1.927)	(-1.915)
Aid *Gov. stability	-0.741**	-0.723	-0.912*	-0.848**	-1.281**	-1.437**	-0.989***	-1.421**	-1.576***
	(-2.112)	(-1.451)	(-1.823)	(-2.263)	(-2.452)	(-2.547)	(-2.657)	(-2.203)	(-2.587)
Government stability	2.522*	2.688	4.125	3.238**	6.001**	7.784**	3.297**	5.920*	7.571**
	(1.724)	(1.021)	(1.480)	(2.022)	(2.238)	(2.472)	(2.166)	(1.815)	(2.259)
GDP	-13.10***	-15.34***	-16.63***	-14.66***	-16.82***	-15.20***	-13.78***	-15.59***	-14.98***
	(-3.477)	(-3.104)	(-3.224)	(-4.026)	(-3.588)	(-3.306)	(-3.621)	(-3.136)	(-3.323)
GDP^2	0.638***	0.752***	0.787***	0.683***	0.809***	0.702***	0.652***	0.741***	0.707***
	(3.483)	(3.219)	(3.297)	(3.850)	(3.615)	(3.120)	(3.505)	(3.055)	(3.258)
Population	3.467***	5.254***	4.863***	4.100***	5.157***	4.764***	5.101***	6.954***	6.111***
	(2.718)	(4.135)	(3.633)	(3.460)	(3.884)	(3.829)	(3.905)	(4.215)	(3.990)
Population^2	-0.906***	-1.097***	-0.935***	-0.909***	-1.037***	-0.879***	-1.048***	-1.257***	-1.110***
	(-4.801)	(-6.122)	(-4.900)	(-5.158)	(-4.985)	(-4.006)	(-4.795)	(-4.806)	(-4.605)
Urbanization	0.0254	0.00492	0.00274	0.00397	-0.0504	-0.0273	-0.0114	-0.00627	-0.0180
	(0.788)	(0.167)	(0.0883)	(0.119)	(-1.112)	(-0.762)	(-0.319)	(-0.167)	(-0.541)
Population density	0.457	0.130	0.406	0.104	-0.0963	0.172	0.340	-0.323	0.0850
	(1.057)	(0.279)	(0.881)	(0.224)	(-0.200)	(0.346)	(0.791)	(-0.580)	(0.173)
Foreest rent	2.081**	2.705***	2.187**	1.664*	1.973**	1.727*	2.868***	3.708***	3.017***
	(2.409)	(3.125)	(2.497)	(1.923)	(2.040)	(1.913)	(3.372)	(3.648)	(3.484)
Mineral rent	0.993	0.578	0.672	0.944	0.373	0.504	1.045	0.319	0.401
	(1.307)	(0.756)	(0.887)	(1.132)	(0.448)	(0.582)	(1.304)	(0.335)	(0.446)
Demogra. dependancy	-1.614	-0.704	0.594	-1.305	-2.864	-1.517	-1.688	-0.817	0.143
	(-0.666)	(-0.291)	(0.215)	(-0.398)	(-0.895)	(-0.480)	(-0.645)	(-0.283)	(0.0496)
Globalization index	0.171**	0.242***	0.251***	0.150**	0.218**	0.194**	0.250***	0.290***	0.321***
	(2.522)	(3.498)	(3.720)	(2.134)	(2.562)	(2.380)	(3.289)	(3.420)	(4.171)
Social polarization	-8.053***	-7.067***	-6.873***	-8.586***	-8.417***	-8.434***	-8.167***	-6.556***	-7.925***
	(-4.791)	(-3.008)	(-3.135)	(-5.237)	(-4.363)	(-4.628)	(-4.613)	(-2.909)	(-4.110)
Observations	262	262	262	262	262	262	262	262	262
R-squared	0.388	0.362	0.301	0.386	0.357	0.347	0.318	0.032	0.165
Number of country	76	76	76	76	76	76	76	76	76
Hansen j stat	12.02	10.80	9.678	7.802	8.202	7.197	7.794	5.300	7.122
Hansen j P- val	0.212	0.290	0.377	0.554	0.514	0.617	0.555	0.807	0.624
Cragg-Donald N*CDEV	39.96	15.89	10.73	22.19	18.08	15.43	29.77	14.87	19.91
Cragg-Donald P-val	1.72e-05	0.103	0.379	0.0142	0.0536	0.117	0.000935	0.137	0.0301
Anderson-Rubin test	36.07	46.31	45.12	26.28	34.18	32.77	32.15	36.99	36.57
Anderson-Rubin P-val	0.000578	1.26e-05	2.00e-05	0.0156	0.00113	0.00184	0.00228	0.000416	0.000484
First stage instrumentation									
Shea partial R2 Aid Eq.	0.14	0.10	0.12	0.16	0.11	0.13	0.12	0.09	0.10
Shea pa. R2 Aid*stability	0.13	0.10	0.12	0.11	0.09	0.10	0.11	0.08	0.09
Shea par. R2 Aid*X.	0.19	0.08	0.06	0.11	0.08	0.07	0.24	0.08	0.12
Shea partial R2 stability	0.13	0.10	0.13	0.12	0.100	0.10	0.13	0.08	0.09
Partial R2 Aid Eq.	0.42	0.26	0.28	0.42	0.27	0.29	0.40	0.27	0.29
Partial R2 Aid*stability	0.35	0.20	0.23	0.35	0.19	0.22	0.35	0.19	0.22
Partial R2 Aid*X Eq.	0.30	0.22	0.24	0.16	0.15	0.13	0.34	0.13	0.18
Partial R2 stability Eq.	0.20	0.20	0.20	0.19	0.19	0.19	0.20	0.20	0.20

Note: *** p<0.01, ** p<0.05, * p<0.1. Multi = Multilateral; Bila = Bilateral; All= All donors. Aid = disbursement. The panel is run over 6 periods using the 5 years average values of each variable. The instrumental variables are: Grant share, Aid dependency, Donor aid weight and Legal origin.

Table n°5 : The effects of aid on social expenditures in developing countries (1980-2008)

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Dependant variable	**Education expenditures (% GDP)**						**Health expenditures (% GDP)**						**Social security expenditures (% GDP)**					
	Multi	**Bila**	**All**	**Multi**	**Bila**	**All**	**Multi**	**Bila**	**All**	**Multi**	**Bila**	**All**	**Multi**	**Bila**	**All**	**Multi**	**Bila**	**All**
VARIABLES	**GLS**	**GLS**	**GLS**	**IV-GMM**	**IV-GMM**	**IV-GMM**	**GLS**	**GLS**	**GLS**	**IV-GMM**	**IV-GMM**	**IV-GMM**	**GLS**	**GLS**	**GLS**	**IV-GMM**	**IV-GMM**	**IV-GMM**
Aid	0.0219*	0.0189	0.0177	-0.21***	-0.050	-0.137	0.0160	0.0520*	0.0496*	-0.0144	-0.0422	-0.0357	0.0108	-0.0421	-0.00635	0.270***	0.142*	0.215**
	(1.678)	(0.820)	(0.864)	(-3.08)	(-0.75)	(-1.477)	(0.928)	(1.933)	(1.741)	(-0.265)	(-0.695)	(-0.445)	(0.669)	(-1.458)	(-0.175)	(2.774)	(1.797)	(2.083)
Aid * State Fragility	0.077**	0.12***	0.12***	0.776**	0.374	0.448	-0.0612*	-0.0562	-0.0643*	-0.274	-0.313	-0.310	0.0460	0.0471	0.0573	-0.0736	0.224	-0.043
	(2.081)	(2.911)	(3.058)	(2.523)	(1.291)	(1.429)	(-1.904)	(-1.623)	(-1.847)	(-1.425)	(-1.225)	(-1.197)	(1.186)	(1.032)	(1.192)	(-0.184)	(0.598)	(-0.094)
State Fragility	-0.34*	-0.60**	-0.64***	-3.26**	-2.050	-2.588	0.104	0.110	0.184	1.118	1.388	1.567	-0.292*	-0.322	-0.396	0.440	-0.639	0.706
	(-1.68)	(-2.55)	(-2.66)	(-2.45)	(-1.50)	(-1.557)	(0.985)	(0.778)	(1.205)	(1.394)	(1.154)	(1.143)	(-1.673)	(-1.397)	(-1.513)	(0.260)	(-0.359)	(0.290)
Aid*Africa	-0.08***	-0.11***	-0.11***	-0.473*	-0.205	-0.282	0.00881	-0.0316	-0.0270	0.100	0.0749	0.0867	-0.090**	-0.0801*	-0.112**	-0.668*	-0.944**	-0.814**
	(-2.61)	(-2.94)	(-3.19)	(-1.66)	(-0.66)	(-0.972)	(0.272)	(-0.901)	(-0.714)	(0.562)	(0.310)	(0.420)	(-2.386)	(-1.823)	(-2.170)	(-1.923)	(-2.307)	(-2.106)
Africa	0.59***	0.75***	0.84***	2.209**	1.253	1.747	0.110	0.242*	0.247	-0.347	-0.181	-0.328	0.0975	0.203	0.342	2.054	3.840**	3.619*
	(2.879)	(3.020)	(3.253)	(1.976)	(0.907)	(1.204)	(0.982)	(1.668)	(1.490)	(-0.518)	(-0.166)	(-0.316)	(0.473)	(0.789)	(1.096)	(1.586)	(2.136)	(1.918)
GDP	0.389	0.402	0.413	0.212	-0.057	0.0708	0.458***	0.466***	0.467***	0.564***	0.720***	0.657***	0.0136	0.0742	0.0773	0.371	1.075	1.062*
	(1.277)	(1.241)	(1.259)	(0.849)	(-0.22)	(0.281)	(2.646)	(2.874)	(2.787)	(3.145)	(2.784)	(2.858)	(0.0622)	(0.364)	(0.341)	(0.859)	(1.507)	(1.706)
GDP^2	-0.0150	-0.0163	-0.0166	-0.004	0.0129	0.00523	-0.017**	-0.019**	-0.019**	-0.020**	-0.026**	-0.024**	-0.00193	-0.00239	-0.00459	-0.0167	-0.0543	-0.0520
	(-1.02)	(-1.02)	(-1.04)	(-0.38)	(1.062)	(0.444)	(-2.001)	(-2.338)	(-2.257)	(-2.282)	(-2.229)	(-2.284)	(-0.154)	(-0.202)	(-0.360)	(-0.729)	(-1.474)	(-1.623)
Population	-0.25**	-0.25**	-0.25**	0.0346	-0.032	0.0424	-0.27***	-0.27***	-0.27***	-0.36***	-0.36***	-0.35***	-0.0203	-0.0413	-0.0315	-0.309**	-0.368**	-0.473**
	(-2.53)	(-2.48)	(-2.48)	(0.293)	(-0.27)	(0.320)	(-4.503)	(-4.418)	(-4.455)	(-4.839)	(-3.548)	(-3.363)	(-0.226)	(-0.460)	(-0.352)	(-2.060)	(-2.103)	(-2.438)
Population^2	0.0141	0.0153	0.0162	-0.022	-0.04***	-0.03***	0.013	0.0152	0.0148	0.0231**	0.0244**	0.0245**	-0.0132	-0.0101	-0.00943	0.0275	0.0601	0.0660
	(0.669)	(0.704)	(0.739)	(-1.38)	(-3.24)	(-2.864)	(1.298)	(1.432)	(1.370)	(2.252)	(2.270)	(2.401)	(-0.511)	(-0.403)	(-0.362)	(0.792)	(1.291)	(1.523)
Urbanization	0.0007	0.0005	0.0008	-0.01***	-0.008***	-0.009***	-0.0024	-0.0018	-0.0015	-0.005***	-0.005**	-0.004**	0.015***	0.014***	0.014***	0.020***	0.020***	0.020***
	(0.294)	(0.193)	(0.292)	(-4.64)	(-3.73)	(-3.700)	(-1.044)	(-0.836)	(-0.667)	(-2.730)	(-2.219)	(-2.163)	(3.403)	(3.223)	(3.313)	(5.696)	(4.743)	(4.982)
Mineral rent	0.0330	0.0245	0.0203	0.0362	0.08**	0.0619	0.0533*	0.0400	0.0439	0.09***	0.08***	0.085***	-0.0278	-0.0269	-0.0288	-0.0100	0.0339	0.0436
	(0.914)	(0.697)	(0.578)	(0.652)	(2.184)	(1.611)	(1.655)	(1.158)	(1.302)	(3.697)	(3.048)	(3.353)	(-0.533)	(-0.485)	(-0.515)	(-0.161)	(0.578)	(0.726)
Demogra. dependancy	0.52***	0.481**	0.480**	0.98***	0.99***	1.073***	0.282	0.229	0.221	0.290*	0.398**	0.366**	-0.138	-0.0325	-0.101	-0.498*	-0.216	-0.394
	(2.846)	(2.436)	(2.423)	(4.632)	(4.967)	(5.554)	(1.193)	(0.972)	(0.941)	(1.745)	(1.985)	(2.016)	(-0.471)	(-0.111)	(-0.356)	(-1.651)	(-0.608)	(-1.234)
Globalization index	0.0065*	0.0061*	0.005*	0.01***	0.01***	0.016***	0.009***	0.009***	0.008***	0.013***	0.012***	0.013***	0.00228	0.00210	0.00249	0.00355	0.00217	0.00251
	(1.914)	(1.673)	(1.662)	(3.514)	(3.293)	(3.848)	(2.986)	(2.945)	(2.791)	(4.024)	(3.455)	(3.702)	(0.379)	(0.363)	(0.402)	(0.510)	(0.317)	(0.362)
Observations	246	246	246	224	224	224	246	246	246	224	224	224	227	227	227	207	207	207
Number of country	66	66	66	67	68	69	66	66	66	67	68	69	63	63	63	64	65	66
Adj. R-squared	0.343	0.364	0.354	0.060	0.415	0.336	0.460	0.444	0.441	0.423	0.367	0.410	0.462	0.469	0.466	0.265	0.140	0.141
Hansen j stat				2.922	6.798	5.339				5.396	3.367	4.821				8.646	6.143	8.738
Hansen j P- val				0.571	0.147	0.254				0.249	0.498	0.306				0.0706	0.189	0.0680
Cragg-Donald N*CDEV				15.36	17.25	15.24				15.36	17.25	15.24				11.21	12.20	11.76
Cragg-Donald P-val				0.0089	0.00405	0.00939				0.00892	0.00405	0.00939				0.0474	0.0322	0.0383
Anderson-Rubin test				41.09	15.30	16.01				19.57	18.25	21.02				31.50	30.73	33.93
Anderson-Rubin P-val				0.000	0.0535	0.0423				0.0121	0.0194	0.00710				0.00011	0.00015	0.000
First stage instrumentation																		
Shea partial R2 Aid .				0.16	0.22	0.15				0.16	0.22	0.15				0.14	0.24	0.15
Shea R2 Aid*fragility.				0.08	0.08	0.08				0.08	0.08	0.08				0.07	0.09	0.08
Shea par R2 Aid*africa				0.08	0.07	0.08				0.08	0.07	0.08				0.07	0.07	0.07
Shea partial R2 fragility				0.07	0.08	0.08				0.07	0.08	0.08				0.06	0.09	0.07
Partial R2 Aid Eq.				0.39	0.23	0.28				0.39	0.23	0.28				0.39	0.24	0.28
Partial R2 Aid*fragility.				0.17	0.15	0.15				0.17	0.15	0.15				0.17	0.14	0.14
Partial R2 fragility				0.16	0.08	0.12				0.16	0.08	0.12				0.16	0.07	0.11
Partial R2 Aid*africa				0.13	0.14	0.14				0.13	0.14	0.14				0.12	0.13	0.13

Note: *** p<0.01, ** p<0.05, * p<0.1. Multi = Multilateral; Bila = Bilateral; All= All donors. Aid = disbursement. The panel is run over 6 periods using the 5 years average values of each variable. The instrumental variables are: Grant share, Aid dependency, Donor aid weight and social polarization.

Annexes

Annex n°1 : List of recipient countries (fragile states according to INCAF are followed by *)							
Sub Sahara Africa		**Latin America and Caraibes**		**Asia Pacific**	**Europe and Central Asia**	**MENA**	**South Asia**
Angola*	Madagascar	Argentina	Mexico	Cambodia*	Azerbaijan	Algeria	Bangladesh
Botswana	Malawi	Barbados	Nicaragua	China	Croatia	Egypt	India
Burkina Faso	Mali	Belize	Panama	Fiji	Georgia	Iran	Nepal*
Burundi*	Mauritania*	Bolivia	Paraguay	Indonesia	Kazakhstan	Iraq	Pakistan
Cameroon*	Mauritius	Brazil	Peru	Laos*	Kyrgyz Republic	Jordan	Sri Lanka
Cape Verde	Mozambique	Chile	Suriname	Malaysia	Turkey	Morocco	
Central African Rep.*	Namibia	Colombia	Trinidad & Tobago	Mongolia	Turkmenistan	Oman	
Cote d'Ivoire*	Niger*	Costa Rica	Uruguay	Myanmar	Uzbekistan*	Syria	
Equatorial Guinea*	Nigeria*	Dominican Republic	Venezuela	Philippines		Tunisia	
Ethiopia*	Senegal	Ecuador		Thailand		Yemen*	
Gabon	Sierra Leone*	El Salvador		Tonga*			
Gambia*	South Africa	Guatemala		Viet Nam			
Ghana	Swaziland	Guyana					
Guinea*	Tanzania	Honduras					
Guinea-Bissau*	Uganda*	Jamaica					
Kenya*	Zambia						
Lesotho	Zimbabwe*						

Annex n°2 : Assessing the relevance of instrumentation process. Some statistics.	
Hansen j statistics	The Sargan-Hansen test is a test of overidentifying restrictions. The joint null hypothesis is that the instruments are valid instruments, i.e., uncorrelated with the error term, and that the excluded instruments are correctly excluded from the estimated equation. Under the null, the test statistic is distributed as chi-squared in the number of overidentifying restrictions. A rejection casts doubt on the validity of the instruments. For the efficient GMM estimator, the test statistic is Hansen's J statistic, the minimized value of the GMM criterion function.
Anderson-Rubin test	The first-stage output includes Anderson-Rubin statistics that provide weak-instrument robust inference for testing the significance of the endogenous regressors in the structural equation being estimated. The null hypothesis tested is that the coefficients of the endogenous regressors in the structural equation are jointly equal to zero, and, in addition, that the overidentifying restrictions are valid. The test is equivalent to estimating the reduced form of the equation (with the full set of instruments as regressors) and testing that the coefficients of the excluded instruments are jointly equal to zero. In our case, the Anderson-Rubin statistic is a Wald test.
Cragg-Donald N*CDEV	The chi-squared version of the Cragg-Donald (1993) test statistic N*(EV/(1-EV)), is reported and tests whether the equation is identified.
Shea partial R2	The first-stage results include Shea's (1997) "partial R-squared" measure of instrument relevance that takes intercorrelations among instruments into account, and also the more common form of "partial R-squared" (the "squared partial correlation" between the excluded instruments and the endogenous regressor in question).

Annex n°3 : Variables source and description.		
Variables	**Description**	**source**
GINI	GINI index of income inequality. This variable measures the importance of income and consumption inequality within a country. It goes from 0 to 100 with higher value indicating higher prevalence of inequality in the country.	The UNU-WIDER and Texas University databases on inequality.
Aid	Official Development Aid disbursements. Current USD (millions).	DAC/OECD
State fragility	A state is understood to be fragile when it is unable to meet its population's expectations or manage changes in expectation and capacity through the political process. See Annex 1 for the list of fragile states. 1 if fragile and 0 otherwise.	The International Network on Conflict and Fragility (INCAF), DAC/OECD.
Government stability index	This is an assessment both of the government's ability to carry out its declared program(s), and its ability to stay in office. The risk rating assigned is the sum of three subcomponents, each with a maximum score of four points and a minimum score of 0 points. A score of 4 points equates to Very Low Risk and a score of 0 points to Very High Risk. The subcomponents are: Government Unity; Legislative Strength; Popular Support.	International Country Risk Guide (ICRG)– The PRS Group.
Checks and balances index	Number of Veto Players.	Database of Political Institutions (DPI). (Beck et al 2000; 2001; Keefer 2008)
GDP	Gross Domestic Product (GDP) (current US$)	World Development Indicators (WDI) 2011. The World Bank
Population	Population, total	World Development Indicators (WDI) 2011. The World Bank
Urbanization	Urbanization rate. Urban population (% of total)	World Development Indicators (WDI) 2011. The World Bank
Population density	Population density (people per sq. km of land area)	World Development Indicators (WDI) 2011. The World Bank
Foreest rent	Forest rents (% of GDP)	World Development Indicators (WDI) 2011. The World Bank
Mineral rent	Mineral rent (% of GDP)	World Development Indicators (WDI) 2011. The World Bank
Demographic dependancy	Age dependency ratio (% of working-age population)	World Development Indicators (WDI) 2011. The World Bank
Globalization index	The overall index of globalization is the weighted average of the variables below: economic globalization, social globalization and political globalization. Most weight has been given to economic followed by social globalization. The indexe ranges between 0 and 100, where higher values indicate a higher degree of globalization.	Dreher – KOF Index of Globalization (Dreher 2006; Dreher et al 2008)
Social polarization	Plurality Group. Based on the same set of groups, this variable reflects the population share of the largest group (plurality group) in the country.	Fearon (2003) http://www.stanford.edu/~jfearon/
	Instrumental variables	
Grant share	The proportion of grants in annual aid received by each recipient country.	Author, using DAC/OECD data
Aid dependency	Total aid annually received in % of GDP	Author, using DAC/OECD and WDI data.
Donor aid weight	Donor weight in each recipient country in terms of its contribution to the total aid received by the country each year. This variable is calculated for 3 main bilateral donors (USA, UK and France) and 2 main multilateral donors (IDA/World Bank and EDF/ European Commission.	Author, using DAC/OECD data
Legal origin	Identifies the legal origin of the Company Law or Commercial code of each country. There are five possible origins: (1) English Common Law (2) French Commercial Code (3) Socialist/Communist Laws (4) German Commercial Code (5) Scandinavian Commercial Code	La Porta, López-de-Silanes, Shleifer & Vishny (1999)
Note: Some of these variables come from the database compiled by Teorell, Jan, Nicholas Charron, Marcus Samanni, Sören Holmberg and Bo Rothstein. 2009. The Quality of Government Dataset, version 17June09. University of Gothenburg: The Quality of Government Institute, http://www.qog.pol.gu.se.		

Annex n° 4: Descriptive statistics											
Statistics	**GINI**	**State fragility**	**Checks &balances**	**Government stability**	**GDP (USDmillion)**	**Population (millions)**	**Urbanization rate (%)**	**Population density**	**Forest rent(%GDP)**	**Mineral rent(%GDP)**	**Population dependency**
Observation	539	539	456	312	527	538	530	539	502	509	535
min	21.73	0	1	1.13	48.28	0.06	2.72	1.23	0	0	44.03
max	64.12	1	12	11.5	6235825	1279.89	100	17636	23.89	29.07	120.92
mean	45.67	0.23	2.22	6.81	100305.2	41.21	41.16	120.59	1.91	1.19	80.90
p25	42.31	0	1	5.23	4824.36	3.23	24.44	19.26	0.23	0	67.36
p50	46.01	0	2	6.93	14353.11	8.31	40.27	43.90	1.07	0.03	83.49
p75	49.62	0	3	8.4	55400.57	22.65	54.56	106.36	2.72	0.59	93.77

Annex n°4 (continued) : Descriptive statistics											
Statistics	**Globalization index**	**Social polarization**	**Aid**	**Grant share**	**Aid dependency**	**Legal origin**	**USA aid weight**	**UK aid weight**	**France aid weight**	**IDA aid weight**	**EC aid weight**
Observation	499	510	531	515	501	539	525	525	525	525	525
min	9.30	0.12	0.15	16.46	0	1	0	0	0	0	0
max	73.67	0.98	3817.46	100	39.94	3	79.01	71.39	86.65	75.53	62.90
mean	41.95	0.61	302.45	62.51	4.28	1.81	8.39	2.71	5.56	9.87	9.57
p25	33.38	0.43	53.32	49.60	0.35	1	0	0.001	0	0	1.08
p50	41.42	0.62	146.41	64.05	1.86	2	2.71	0.37	0.81	1.76	5.62
p75	50.31	0.84	365.01	76.33	5.86	2	10.66	2.24	5.03	17.47	13.36

CHAPTER IV

Chapter 4. Supply and demand for good governance: analyzing the effects of multilateral aid, environmental compliance and the quality of institutions on deforestation.[125]

Abstract

This chapter analyzes the interactions between the demand and supply sides of good governance in the case of the forestry sector in developing countries. The role of IOs in these interactions is particularly assessed. The demand for good governance refers to some characteristics of citizens such as their ability to request accountability from public officials and their environmental compliance. In contrast, the supply for good governance highlights the efficiency of governance infrastructures, notably the administrative and judicial efficiency. Using a principal--agent model, we find that environmental compliance and judicial efficiency may be complementary or substitutable in strengthening the forest stock. After having designed a new indicator of environmental compliance, we test these predictions using cross sectional data for 59 developing countries. The empirical results support the predictions of the model about the substitutability/complementarity of demand and supply for good governance in preserving the forest stock. Indeed, the results show that an improvement of the quality of rule of law can reduce deforestation only in a context of high environmental compliance while the reducing effect of environmental compliance on deforestation is enhanced with better rule of law. Multilateral organizations are found to have better performances in terms of combating deforestation when they allocate their aid to the forestry sectors in recipient countries where both environmental compliance and rule of law is higher. In contrast, bilateral aid is found to be more efficient in reducing deforestation when it is affected to legal and judicial sector in a context of higher quality of rule of law. These findings highlight the need to take into account some factors related to the demand side of governance for moving towards a sustainability and efficiency of governance reforms in developing countries.

Keywords: *Environmental compliance, deforestation, Governance, Foreign aid, Principal-Agent model.*

[125] Some parts of this chapter are an augmented version of an article co-authored with Sébastien Marchand and in the revision process for publication in the journal ERE (Environmental and Resource Economics).

Introduction

The quest of development follows a long path that requires a change in human behaviours in order to address major environmental issues such as biodiversity loss and climate change. In this perspective, Oran Young argued that "sustainable development depends upon good governance, good governance depends upon the rule of law, and the rule of law depends upon effective compliance. None are sufficient alone, but together they form an indivisible force that is essential for survival and for sustainable development" (Young, 2005:29-30). Hence, a better knowledge of deforestation factors is relevant to improving the sustainability of the environment (Angelsen et al, 2009). The depletion of forested areas in developing countries is currently at the forefront of international development agenda. From local to global, externality problems related to the use of common resources are complex and conflicting. The solutions to these controversial issues necessitate an involvement of various stakeholders interacting at multiple scales, notably demand versus supply side, political versus economic side, local/national versus international scales. For instance, deforestation and illegal logging are likely to result from the existence of rents, discretionary powers, corruption and low accountability. In such a context, international organizations can play a substantial role as regulators and producers of enforcement rules. The United Nations Forum on Forests (UNFF) highlights this tendency to strengthen long-term political commitment to this end. Governance systems and institutions conceived of as ``rules of the game'' have to become more effective in shaping human actions towards common goals (North, 1994). Furthermore, understanding the sustainability of governance reforms necessitates knowing why there is a weak demand for good governance and persistent bad institutions, such as self-sustaining corruption, in some economies. As good governance reforms are gradual processes and necessitate investment in legal and administrative infrastructures, political instability is likely to create an environment under which corruption becomes more pervasive and tends to persist (Damania et al, 2004; Mishra, 2006). Subsequently, governments will be constrained in their ability to enforce compliance with chosen policies and be vulnerable to

lobbying activities. However, monitoring mechanisms can be far better organized when petty corruption is the main issue conversely to grand corruption. Indeed, with grand corruption, elected politicians are often directly or indirectly controlling the supposed monitoring mechanisms, including the media as well as the judicial system (Knack, 2006; Kenny and Soreide, 2008). Besides, factors underlying the compliance with regulatory policies allow to understand corruption phenomenon and functioning of governance infrastructures. The literature on regulatory compliance has focused on the effects of rule enforcement on individuals and firms' compliance behaviour (Magat and Viscusi, 1990, Deily and Gray, 1991, Laplante and Rilstone, 1996). In most of these studies the role of bribery and other political-economy aspects of enforcement and compliance were underinvestigated. This chapter aims at bridging this gap by analysing the relationships between governance infrastructures and some patterns of key stakeholders' compliance with forest regulatory policies. For instance, in a poor legal and judicial system in which noncompliance and corruption become pervasive, environmental degradation is more likely to occur while a progress towards sustainable development becomes problematic. In this context, an improvement of governance infrastructures and a promotion of compliance become necessary for the sustainability of governance reforms (Young, 1979, Odugbemi and Jacobson, 2008). As Damania et al (2004),[126] we develop a theoretical model that explains how environmental compliance and governance infrastructure interact to reduce environmental damages such as loss of forest stock. Thence, a two-stage model is adopted where a profit-maximizing representative harvester selects the optimal amount of harvested land to be cleared given the available technology. In the second step, the logging firm is inspected by a bureaucrat (inspector) and might be willing to bribe this inspector in case of noncompliance. Firm-inspector interactions are shaped by judicial efficiency and the authorized harvest quota previously set. The model allows to make some predictions about the interactions between the firm's environmental compliance, the governance infrastructures, and the environmental outcomes. Hence, the main proposition shows that environmental compliance is a substitute of low judicial efficiency or a

[126] Unlike Damania et al (2004), we are not primarily interested in the channel of political instability as the way through which corruption may affect environmental compliance.

complement of high judicial efficiency in strengthening the forest stock. Empirical estimations, using cross sectional data for 59 developing countries, support the main theoretical prediction. Indeed, the results show that an improvement of the quality of rule of law can reduce deforestation only in a context of high environmental compliance while the reducing effect of environmental compliance on deforestation is enhanced with better rule of law. We show that an improvement of the efficiency of governance infrastructures (rule of law or judicial efficiency) can even lead to increase in deforestation in a case of a lack of environmental compliance. Moreover, multilateral organizations are found to have better performances in terms of combating deforestation if they allocated their aid to forestry sectors in recipient countries where both environmental compliance and rule of law is better. In contrast, bilateral aid is found to be more efficient in reducing deforestation when it is affected to legal and judicial sector in. These findings support the argument according to which the non-sustainability of good governance reforms in developing countries could be explained by a neglect of the demand side factors of governance. The rest of the chapter is organized as follows. The first section discusses the sustainability of governance reforms through the prism of supply and demand for good governance. The second section exposes the role played by international actors in the management of environmental commons. The third section presents a political economy model. The fourth section provides econometric evidences before concluding.

I. Supply and demand for good governance: the effects of corruption, accountability and compliance on reforms' sustainability

In most governance reforms promoted by international actors in developing countries the priority was given to the supply side of reforms. However, moving towards a sustainability and success of these reforms requires also an attention to the demand side. This demand side of good governance concerns for example the stakeholders' willingness to comply with regulatory norms, their perception of governance quality in their society and their ability to claim accountability from

public officials (Young, 1979; Zaelke et al., 2005; Odugbemi and Jacobson, 2008; Ivanyna and Shah, 2010). Thus, while the supply side of governance focuses on formal public institutions (supply of public services), the concept of demand for good governance aims to appraise the capacity of citizens, civil society organizations and other non state actors to hold public officials accountable and responsive to their needs and better development results. The demand for governance, operating from the bottom-up, can help citizens better understand the responsibilities of authorities. This is particularly crucial in weak institutional settings where public officials are likely to pursue their own interests rather than those of citizens. Yet, promoting the demand side of governance is not an easy task and international donors have to find a balance between empowering demand-side actors and avoiding a weakening of supply-side actors. The World Bank has proposed to establish a Multi-Donor Trust Fund that will allow development partners to enhance the environment for demand-side approaches and improve civil society capacity to promote citizen's rights and access to public information.[127] For instance, if citizens misunderstand government activities or if they are not well informed on the effectiveness of public policies, they are unlikely to support the fight against corruption or to act as public sentinel. Subsequently, the media can shape public opinion and change norms about corruption. Indeed, without broader public support, anti-corruption agencies are likely to become more vulnerable to political will, interference and self interest. In fact, the success of an anti-corruption agency is more likely to entail its failure because successes generate counterattacks by powerful and well-funded opponents (World Bank, 2010a). Accordingly, the persistence and spread of corruption could be explained by the fact that a corrupt behavior of one economic agent generates externalities by making corruption more attractive for others. Therefore, the widespread nature of corruption in some societies tends to reinforce the idea that corrupt behavior could become the norm itself despite its harmful effects and condemnation. By this way, corruption practices fall in the category of tragedy of the commons as people usually makes the straightforward argument: "if everyone fails to comply, why should I comply?" Hence, compliance follows a law of demand and

[127] See World Bank (2008) http://siteresources.worldbank.org/EXTSOCIALDEVELOPMENT/Resources/244362-1193949504055/DFGGstocktakingReport.pdf

people respect norms in a reciprocal manner, as they are more likely to comply if others are expected to comply too. From a cost-benefit perspective of compliance and noncompliance, even those who generally favor the existence of specific behavioral prescriptions are likely to find that it is advantageous to violate them in practice (Young, 1979; Mishra, 2006; Damania et al., 2004; Pierre-Guillaume and Weill, 2010; Leff, 1964; Huntington, 1968). The compliance level of demand side stakeholders is influenced by the degree of public regulators accountability. In addition, public institutions may be able to encourage voluntary compliance by making it less costly. For instance, in poor countries where the budgetary resources of public authorities are particularly scarce, the supervision option is likely to be inefficient while investing in strategies promoting self compliance should be more suitable. Besides, the greater political uncertainty prevailing in these poor countries might make governments more receptive to lobbying and impede their ability to enforce compliance with a chosen policy. In fact, with the inheritance of a weak judiciary system, the regulatory norms and policy are more likely to be altered by future governments.

For a given firm, the propensity to be involved in corruption depends on various characteristics. For instance, those related to its local or foreign ownership, the location of headquarters, ownership structure, role in lobbying efforts, sector characteristics, perceived and actual capacity of government, regulatory institutions' capacity and independence, the perceived extent of corruption in the sector and attitude towards risk[128]. Nonetheless, there is growing evidences that many firms are likely to comply with environmental regulations even when these regulations are weak or non-existent. This fact is well-known as the Harrington paradox (Harrington, 1988). The reasons of this over-compliance can be found on the fact that some firms have incentives to comply in order to avoid being moved into the frequently inspected group. Other explanations of over-compliance use the arguments of business strategy seeking to gain a reputation as an environmentally conscious organization. This could also aim at guiding regulatory authorities to set

[128] See Bardhan, 1997; Mishra, 2006; Shimshack and Ward, 2005; Eerola, 2004; Ayyagari et al., 2010; Søreide, 2009.

higher standards for the whole industry sector, which is likely to increase the costs of their rivals[129].

Besides, various sources of noncompliance in the forest sector can be distinguished. These sources can be grouped in three clusters: institutional and legal frameworks, economic and market incentives and socio-cultural considerations (Contreras-Hermosilla, 2000; World Bank, 2006). The first cluster, related to institutional and legal frameworks, refers to regulatory constraints which are likely to make forest policies more stringent, and therefore they could be perceived by stakeholders as being unfair. This situation is more expected in the presence of international laws on forestry which may conflict with domestic needs. In addition, the efficiency of political, legal and administrative institutions of forest sector is a key determinant of compliance behaviors. The extent of corruption in illegal logging depends on the suitability of these legal and institutional frameworks, notably in terms of accountability and transparency. Insofar the forestry does not operate in complete isolation from other sectors, enhancing compliance with forest law will depend on actions by the judiciary and law enforcement agencies. Anti-corruption policies (prevention, detection and suppression), limited to forestry, are unlikely to work in countries with high corruption levels which require systemic institutional changes. For instance, corruption may matter for deforestation through the design and implementation of land use plans. Grand corruption is likely to influence land use planning because decisions are made at high levels of government and large sums of money (or political support) are required to manipulate the people involved. Petty corruption is likely to occur when local officials allow illegal encroachment on forest areas (Angelsen et al, 2009). In addition, the structure of definition and allocation of property right in the forest sector is also an important factor of the level of compliance.

For the second cluster of the sources of noncompliance, economic, market and trade incentives are often drivers of illegal forest activities. The existence of a market of illegal timber favour noncompliance as illegal logging becomes economically

[129] See Heyes, 2005; Decker and Pope, 2005; Mohr, 2006; Denicolo, 2008; Wu, 2009.

attractive. The harvest quota in timber producing countries is very often under the domestic and international demand. Consequently, there is an increase of the rents from illegal logging since the probability of sanctions remains quite weak in many countries. The illegal harvesting behaviour becomes then a rational decision in a perspective of maximization of economic profit.

The third cluster of the sources of noncompliance in the forest sector refers to socio-cultural contexts which are likely to generate noncompliance. For instance, some cultural traditions such as slash-and-burn agriculture can undermine compliance with forest policy rules. In the same vein, poverty may influences compliance decision in forest matters. Indeed, in developing countries, 1 billion extremely poor people depend upon forests for part of their livelihoods. These vulnerable groups are those likely to be engaged in illegal logging (World Bank, 2006).

II. Multilateral Institutions and the global governance of environment commons

Environmental commons being mostly public goods, their protection enter into the mandate of some IOs. Thus, these IOs have been drivers of international agreements in favor of environment preservation, but they also provide funding to poor countries to this end. However, the ratification of international agreements usually involves a formal decision by the legislature that authorizes the government to commit legally. The adoption of environmental agreement is supposed to be approved by citizens' representatives. This is theoretically needed for getting more compliance at national level. Furthermore, national and international civil society groups are often best positioned to monitor the activities in trans-boundary environmental management.

The Global Environment Facility (GEF) was designed by donor governments in the early 1990s to assist developing country efforts to address global environmental problems such as ozone depletion, climate change, and threats to biodiversity. Yet, developing countries are more interested in achieving economic development than in

contributing to global environmental goods. Therefore, the environmental aid received by these recipient governments was essentially affected to local environmental issues. For instance, in developing countries, illegal logging in public lands alone generates more than US$10 billion annually losses in assets and revenue which represents six times the total aid going to the sustainable management of forests (World Bank, 2006). Thereby, the fight against this phenomenon necessitates both strengthening forest governance in problematic producer countries and implementing environmentally and socially responsible procurement policies in consumer countries. In response to these requirements, new international enforcement innovations were adopted such as the introduction of anti-money-laundering legislation, the adoption of the UN Conventions Against Transnational Organized Crime (in 2003) and Corruption (in 2005). The difficulty to investigating transnational forest crimes is related to the exclusivity of national governments sovereign power. The transnational dimensions of enforcement are therefore seriously affected by differences in political, social, economic, cultural and legal systems.

Similarly, the United Union Forum on Forests (UNFF) was launched to solve the problem of illegal harvesting of forest products and associated trade. Moreover, the 2002 World Summit on Sustainable Development called for a promotion of domestic forest law enforcement and a combat against illegal international trade in forest products. In the same perspective, the International Tropical Timber Organization (ITTO) helps producing countries in the design of their own measures on forest law enforcement. In 2006, the International Tropical Timber Agreement focused on the capacity of members to improve forest law enforcement and governance. It becomes the first legally binding international instrument to address illegal logging. The World Bank is engaged with Forest Law Enforcement and Governance (FLEG) processes since the first Ministerial FLEG Conference for East Asia in 2001. The importance of curbing illegal logging and other forest crimes is taken into account in the Bank's broad funding and advocacy in governance related issues. Indeed, the forestry portfolio is nested within the Bank's overall approach to governance and anticorruption. This is also the case for the European Union which adopted, in 2005,

its program supporting forest law enforcement. Its funding is channeled through international NGOs and other multilateral trust funds like those hosted by the World Bank and UN agencies. Thus, some international NGOs such as Greenpeace, the International Union for the Conservation of Nature and Natural Resources (IUCN) and the World Wide Fund for Nature (WWF) have taken an active role in forest law enforcement and governance. Conversely, to some extent, donors-recipients divergences over environmental preferences may explain the current debate on the probable creation of an international organization for environment. This multilateral cooperation becomes more complex with the growing influence of emerging countries such as India, China and Brazil which are sometimes associated with USA in order to slow down the making of new international environmental rules. Paradoxically, these emerging countries are those currently benefiting the largest amount of environmental and forestry aid mainly from bilateral donors (see figure 1 and 2). During the last decade, China has annually received on average USD 200 million as bilateral environmental aid against 20 million for multilateral aid (figure 1) while its bilateral forestry aid reached 80 million against roughly 5 million for multilateral aid (figure 2). Since, combating illegal logging require an investment in legal and judicial infrastructures and other supply side apparatus of good governance, the figure 3 highlights the extent of bilateral and multilateral aid affected to legal and judicial sectors in recipient countries. The top recipient countries are Colombia, Indonesia, Uganda and Mexico with around 10 million US dollar per year as bilateral aid whereas multilateral aid is relatively weak (around 2 million per year). In the same vein, the environmental preservation needs also some empowerment of demand side actors whose participation is fully required to curb deforestation. About that, the figure 4 depicts the pattern of donor aid allocated to civil society participation. The top recipients are India, Bolivia, Indonesia, Guatemala and Tanzania.

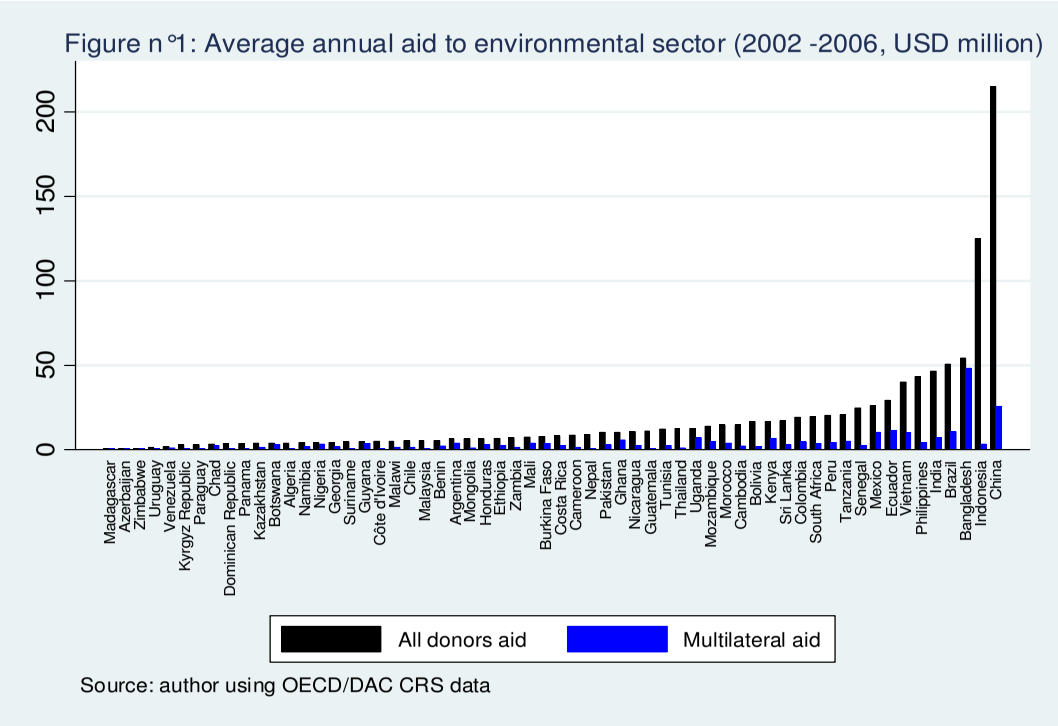


Figure n°1: Average annual aid to environmental sector (2002 -2006, USD million)
0
50
100
150
200
Madagascar
Azerbaijan
Zimbabwe
Uruguay
Venezuela
Kyrgyz Republic
Paraguay
Chad
Dominican Republic
Panama
Kazakhstan
Botswana
Algeria
Namibia
Nigeria
Georgia
Suriname
Guyana
Côte d'Ivoire
Malawi
Chile
Malaysia
Benin
Argentina
Mongolia
Honduras
Ethiopia
Zambia
Mali
Burkina Faso
Costa Rica
Cameroon
Nepal
Pakistan
Ghana
Nicaragua
Guatemala
Tunisia
Thailand
Uganda
Mozambique
Morocco
Cambodia
Bolivia
Kenya
Sri Lanka
Colombia
South Africa
Peru
Tanzania
Senegal
Mexico
Ecuador
Vietnam
Philippines
India
Brazil
Bangladesh
Indonesia
China
All donors aid
Multilateral aid
Source: author using OECD/DAC CRS data

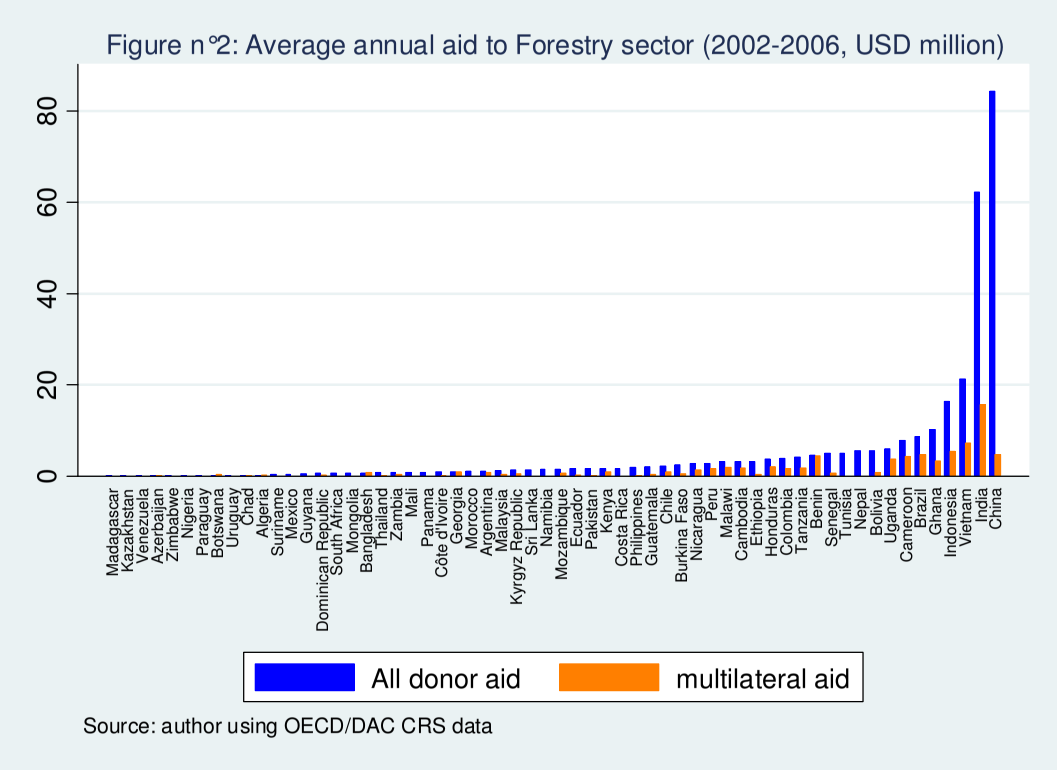
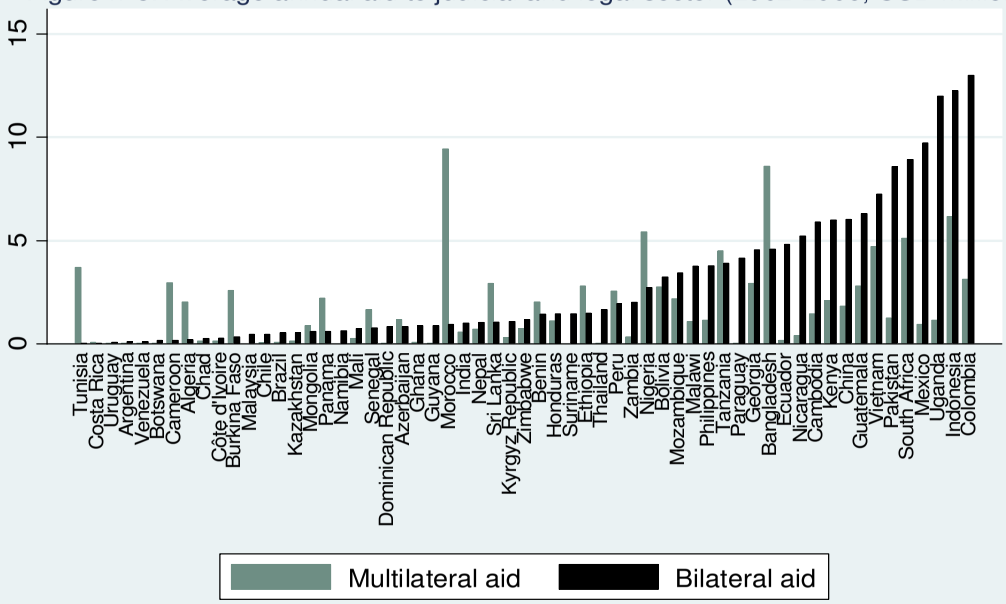


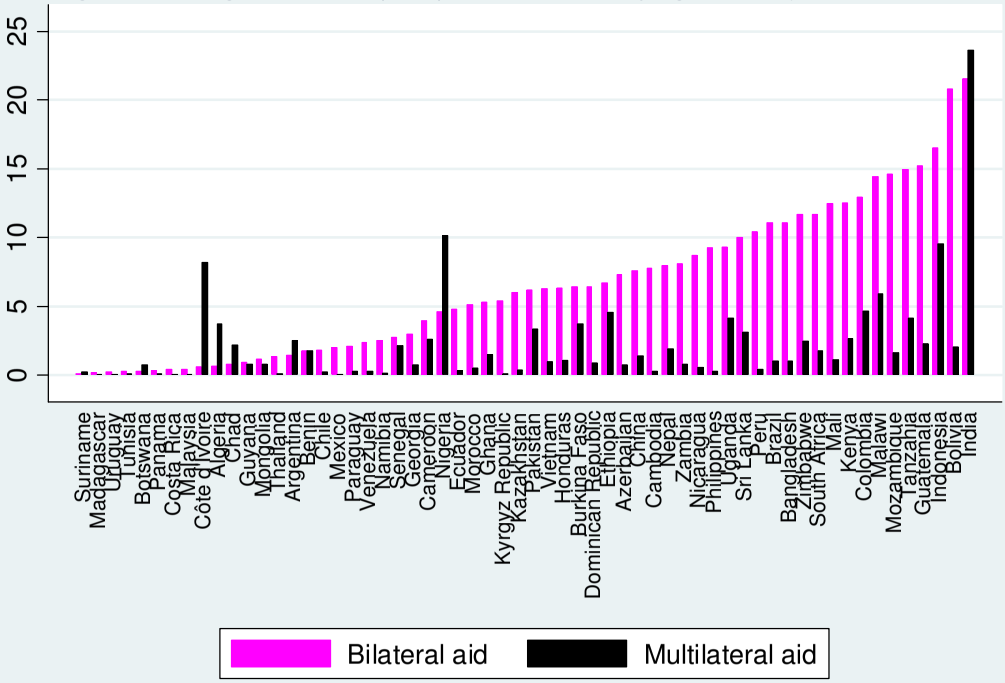
Figure n°2: Average annual aid to Forestry sector (2002-2006, USD million)
0
20
40
60
80
Madagascar
Kazakhstan
Venezuela
Azerbaijan
Zimbabwe
Nigeria
Paraguay
Botswana
Uruguay
Chad
Algeria
Suriname
Mexico
Guyana
Dominican Republic
South Africa
Mongolia
Bangladesh
Thailand
Zambia
Mali
Panama
Côte d'Ivoire
Georgia
Morocco
Argentina
Malaysia
Kyrgyz Republic
Sri Lanka
Namibia
Mozambique
Ecuador
Pakistan
Kenya
Costa Rica
Philippines
Guatemala
Chile
Burkina Faso
Nicaragua
Peru
Malawi
Cambodia
Ethiopia
Honduras
Colombia
Tanzania
Benin
Senegal
Tunisia
Nepal
Bolivia
Uganda
Cameroon
Brazil
Ghana
Indonesia
Vietnam
India
China
All donor aid
multilateral aid
Source: author using OECD/DAC CRS data

Figure n°3: Average annual aid to judicial and legal sector (2002-2006, USD million)



Source: author using OECD/DAC CRS data

Figure n°4: Average annual aid to participation and civil society organizations (2002-2006, USD million)



III. A principal-agent model on corruption and compliance in the forestry sector

The baseline model is a three-tier hierarchy agency model: firm-harvester/inspector/government (Tirole, 1986)[130]. We assume that all parties are risk neutral. The representative harvester has the right to cut timber in a given public forestland (like a concession). The harvester decides the volume to harvest knowing that an inspector will monitor the production. We first define the time sequence of actions and specify the model. Then, the firm-inspector interactions are studied to determine harvesting and reporting decisions as well as the optimal bribe. Finally, policy decisions are investigated.

The model is a sequential finite-period stage game. The timing of events is given below:

- At date t = 0, the harvester determines its political contributions offered to the incumbent government. The level of these contributions is linked to the forest policy.
- At date t = 1, the incumbent government selects the forest policy to maximize their pay-off.
- At date t = 2, the harvester determines the harvest and reported effort.
- At date t = 3, the inspector controls the firm's production and an optimal level of bribe is determined with a probability to be discovered depending on the level of judicial efficiency, i.e., the quality of the audit agency.

A backward induction process is used for the resolution of the game. Hence, the forest policy is given for the harvester and inspector in the second stage.

[130]An audit agency takes place in the game but only to monitor inspector's reported harvest production. Hence, the audit agency does not take part into the equilibrium process.

1. The interaction between the firm and the inspector

The policy-maker (the principal) designs a forest policy in order to reduce deforestation, to preserve biodiversity or to implement a durable forestry management. This policy consists of setting the maximum harvest effort, $\bar{e}$ required (harvest quota). We assume that the harvester tends to produce more than the quota and to set $e > \bar{e}$ implying a positive level of noncompliance $v = (e - \bar{e})$. Given that harvest production results in environmental damage, the government, i.e., the policy maker, has to control harvest effort and assigns a bureaucrat (for instance an inspector) to monitor the firm. Moreover, the harvester has private information on their harvest production so that the principal has to use an inspector to monitor the firm's reported information. Yet, the harvester may propose a bribe B to the inspector in the case of noncompliance. This corrupt behaviour is defined as petty corruption because it occurs between the firm and the inspector[131]. The harvester's bribe incites the inspector to declare that the quota is respected. In the model, inspection is not probabilized because we suppose that the harvester is alone, which makes the inspection obvious. In other words, given that the inspector is risk-neutral, the bribe could be accepted or refused if its amount is not enough to optimize the pay-off. If the inspector accepts the bribe, the harvest effort is reported as $e \leq \bar{e}$. Moreover, we assume that the inspector receives from the regulator (government) a fixed wage w and a variable wage R from the regulator (government). This last component of the inspector's remuneration, R, is considered as a reward for reporting the true harvester's effort. Then, R depends positively on the level of noncompliance (v, $\partial R/\partial v > 0$) but as public resources are scarce, R should not increase indefinitely with v ($\frac{\partial^2 R}{\partial v^2} > 0$). This award is a positive incentive used as a regulatory tool by the incumbent government to persuade the inspector to comply with the original purpose, i.e., to report the true harvest production. However, knowing that the inspector could be bribed by the harvester, the regulator implements an audit of the harvest effort. The audit uncovers the true harvest effort

[131]In contrast, corruption occurring between the harvester and the incumbent government is considered as grand corruption.

with a probability $\lambda \in (0,1)$. Therefore, the level of λ could be an indicator of the efficiency of the auditing process as noted by Damania et al (2004). If $e > \bar{e}$, two fines are imposed: one on the harvester f^H and another on the inspector f^I. Thus, the fine for corruption is increasing and convex in non-compliance

$f(v)$ ($\frac{\partial f}{\partial v} > 0$; $\frac{\partial^2 f}{\partial v^2} > 0$). Hence, the harvest effort will depend on the forest policy ($\bar{e}$) and the efficiency of the audit (λ), with penalties in the case of noncompliance. Thus, harvest effort will be $e = e(\bar{e}, \lambda)$ in the *cheat/bribe* strategy and $e^S = e(\bar{e}, \lambda)$ in the *safe* strategy (where $e^S = \bar{e}$).

Let $H(e)$ be the net harvest function of the harvester from the harvest effort, with the land-holding cost and timber prices included. We assume that the logger is a price taker given that trading is on the international market. The net harvest function depends on the logging effort (which is the logger's choice variable), and takes the form $H(e)$, with the standard properties: $H_e > 0, H_{ee} < 0$. The net harvest function is $H(\bar{e})$ in the safe case and $H(e)$ in the cheat strategy. Consequently, the strategies and their related pay-off are given in the following table 1.

Table n °1: Strategies pay-off

Strategy	Harvester	Inspector
Safe	$H(\bar{e})$	$w + R(v)$
Cheat	$H(e) - [B + \lambda f^H(v)]$	$w + B - \lambda[f^I(v) + R(v)]$
Net	$\Psi^H(e, \bar{e})$ $= H(e) - [B + \lambda f^H(v)] - H(\bar{e})$	$\Psi^I(e, \bar{e})$ $= w + B - \lambda[f^I(v) + R(v)] - w - R(v)$ $= B - (1+\lambda)R(v) - \lambda f^I(v)$

Following Damania et al (2004) and Wilson and Damania (2005), we begin by determining the optimal level of bribe and effort intensity. The process of this game can be divided in two stages. First, the logger sets the effort level to maximize the joint pay-off ($\Psi^J \equiv \Psi^H + \Psi^I$). Then, the inspector and logger share the surplus through a Nash equilibrium process. Therefore, taking the policy parameters as

given $(\bar{e}, \lambda, f_v^H, f_v^I, R(v))$, the harvest effort is chosen to maximize the joint net pay-offs to the logger and inspector.

$$\max_e \Psi^J \equiv \Psi^H + \Psi^I = [H(e) - [B + \lambda f^H(v)] - H(e^s)] + [B - (1+\lambda)R(v) - \lambda f^I(v)]. \quad (1)$$

The first order condition is

$$\Psi_e^J = H_e - \lambda f_e^H - \lambda f_e^I = 0. \quad (2)$$

The logger's optimal harvest effort $e^*(\bar{e}, \lambda, f_v^H, f_v^I, R(v))$ is implicitly given by equation (2) which, in equilibrium, specifies that the actual effort is set so that the marginal revenue from production equals the marginal expected penalty.

The equilibrium bribe is determined by a Nash bargaining between the harvester and bureaucrat. In this process, both parties share equally the benefit of the bribe strategy (noncompliance), i.e., they have the same bargaining power. To be successful, the bargaining has to respect the reservation values of the bureaucrat and logger. By the harvester's net pay-off, the bribe is paid by the firm, i.e., the bribe strategy is dominant if $B < H(e) - H(e^S) - \lambda f^H(v) \equiv \bar{B}$. By the inspector's net pay-off, the inspector accepts the bribe if $B > (1+\lambda)R(v) + \lambda f^I(v) \equiv \underline{B}$. Therefore, the optimal bribe is determined by the following Nash bargain

$$\max_B (\Psi^H \Psi^I). \quad (3)$$

The first order condition is

$$\partial(\Psi^H \Psi^I)/\partial B = [H(e) - H(e^S) + (1-\lambda)R(v) - \lambda(f^H - f^I) - 2B] = 0. \quad (4)$$

Hence, the optimal bribe is

$$B^* = 1/2[H(e) - H(e^S) + (1-\lambda)R(v) - \lambda(f^H - f^I)]. \quad (5)$$

The optimal bribe resulting from this process has to lie between $[\underline{B}, \bar{B}]$ so that the global benefit of the bribe strategy is higher than the global loss of this strategy.

2. Policy Determination

Insofar we proceed backwards, the political process, which determines the forest policy takes place before the harvester--bureaucrat outcomes. The incumbent government has to draw the policy but the logger act as a lobby. Consequently, the threshold level of harvest quota ($\bar{e}$) is influenced by the harvester's lobbying. Following Grossman and Helpman (1994), we suppose that the incumbent government i receives political contribution S defined as grand corruption from the logger. We assume that the firm's political contribution depend on its level of noncompliance, and hence, is noted $S(v)$ with $S_v > 0$. In fact, a non-compliant firm could have a trade-off between the cost of bribing the incumbent government and the cost of bribing the inspector in the following stage. However, we presume that an optimal strategy for the firm would be to try to influence the government to have a well-set harvest quota. Thus, the government derives utility from political contributions and also from the welfare of voters W. The incumbent government draws the level of forest policy in order to maximize its pay-off considering S as given. Consequently, the current utility of the policy-maker is a weighted sum of S and W:

$$U = (1-\alpha)\beta S(v) + \alpha W(H(e), e)$$

where β measures the degree of environmental compliance in the economy. Basically, this parameter allows to introduce into the model the behaviour of the stakeholders of demand-side of good governance which shapes the weight of corruption in the government's utility. Indeed, the weight of corruption in a rent seeking government's utility is likely increase with the level of global environmental compliance in a given economy. Since firm compliance reduces the potential rent of public officials, they are likely to develop corruption practices as a way to extort these compliant firms.

α measures the weight of social welfare in the government's utility. Social welfare represents the sum of the utility of all agents in the economy in a given period. It is decreasing in the harvest effort ($W_e < 0$; $W_{ee} < 0$) which is associated to

environmental damage (biodiversity losses,...) and increasing in the total harvested volumes ($W_H > 0$; $W_{HH} < 0$). Following Grossman and Helpman (1994) and Dixit *et al.* (1997), the equilibrium in a common agency model maximizes the joint surplus of all parties. From Lemma 2 of Bernheim and Whinston (1986), the forest policy $(\bar{e})$ has to satisfy two necessary conditions, which are

$$CI: \quad \bar{e}^* \in \operatorname{argmax} U \qquad (6)$$

$$CII: \quad \bar{e}^* \in \operatorname{argmax} \Pi + U \qquad (7)$$

The expected profit Π of the logger is

$$\Pi = H(e) - B - \lambda f^H(v) - S(v).$$

Condition (6) states that the incumbent government determines the forest policy to maximize its own welfare (U), given the offered political contribution schedules (S). Condition (7) states that the equilibrium forest policy maximizes the joint welfare of the harvester and the government. The optimal forest policy ($\bar{e}^*$) maximizes (i) CI (equation (6)) and (ii) CII (equation (7)). Hence, the first order conditions satisfy

$$(1-\alpha)\beta S_v + \alpha W_H H_e + \alpha W_e = 0,$$

$$\alpha W_H H_e + \alpha W_e + H_e - \lambda f_v^H - \alpha\beta S_v = 0.$$

Thus, $\bar{e}^*$ is implicitly given by

$$H_e + \frac{\alpha}{\beta(1-\alpha)} W_H H_e + \frac{\alpha}{\beta(1-\alpha)} W_e - \lambda f_v^H = 0. \qquad (8)$$

Having defined the political equilibrium of the model, we now turn to analyse the comparative static properties of the equilibria to examine interrelationships between forest policy ($\bar{e}$), judicial efficiency (λ) and environmental non-compliance (β). It should be noted that international organizations can substantially influence the level of these three parameters. For instance, international agreements on forestry affect forest policies in timber producer countries whereas donor foreign aid can contribute

to improve judicial efficiency (or other supply side factors of governance) and environmental compliance by empowering demand side actors of good governance (such as civil society organizations).

Result 1 *An increase of judicial efficiency (λ) reduces the forest quota i.e the forest policy becomes more stringent. (see proof Annex 1).*

This result implies that, an improvement of judicial efficiency is a condition for weakening environmental damage. In fact, a more efficient audit agency arranges that the costs associated to the bribe strategy increase implying less petty corruption and finally less opportunity to violate the forest policy. Thereby, the principal, here the government, could implement a more stringent forest policy to reduce environmental damage knowing that the logger will be less incited to violate the forest policy. Thus, judicial efficiency allows to promote sustainable environmental policies.

Result 2. *Conditioned on the level of judicial efficiency, an increase of compliance (a rise of β) tends to reduce the harvest quota, i.e., the forest policy becomes more stringent (see proof Annex 1).*

These results imply that in countries with low judicial efficiency, an improvement of environmental compliance allows to reduce environmental damage as deforestation, i.e., the forest quota. Moreover, in a high judicial efficiency country, the effect of environmental compliance decreases the harvest quota only if fines paid by the firm are zero . Moreover, given that judicial efficiency is high, a firm has to be compliant in order to avoid fine payments (because the probability to be detected increases with judicial efficiency). Hence, we have the following proposition concerning the effect of both environmental compliance and judicial efficiency on the forest stock.

Proposition 1 *Environmental compliance is a substitute of low judicial efficiency and a complement of high judicial efficiency in order to reduce the harvest quota (see proof Annex1).*

Thereby, environmental compliance is a good substitute of weak supply of good governance infrastructures and is needed as a complement to the presence of strong governance infrastructures in the process of combating environmental damages.

IV. Econometric analysis: the effects of foreign aid, governance and environmental compliance on deforestation in developing countries.

1. Econometric specification and variables description

First, this econometric approach aims at testing the nature of the relationship between supply and demand sides factors of good governance, more specifically it checks whether environmental compliance and judicial efficiency are complementary or substitutable to avoid deforestation (Proposition 1). Second, we are interested in the direct effects of multilateral and bilateral aid on deforestation, but above all, their indirect effects through environmental compliance and judicial efficiency.

The following econometric model was run: (9)

$$Forest_i = \alpha_0 + \alpha_1 Compliance_i + \alpha_2 Judicial_i + \alpha_3 Aid_i + \alpha_4 Compliance_i \times Judicial_i + \alpha_5 Compliance_i \times Aid_i + \alpha_6 Judicial_i \times Aid_i + \alpha_7 Compliance_i \times Judicial \times Aid_i + \sum_k \beta_k Z_i + \varepsilon_i$$

where $Forest_i$ is the deforestation rate in the country i, $Judicial_i$ is the quality of the legal framework, $Compliance_i$ is the level of environmental compliance, Aid_i represents multilateral, bilateral or global aid disbursements affected to forestry-related sectors in the recipient country, Z_i are control variables, α and β are coefficients vector to estimate and ε_i is the error term.

From Proposition 1, both α_1 and α_4 should be negative. The sign of α_2 is not stated by the model. However, a positive effect suggests that there is a threshold effect between the conditional effects of environmental compliance and judicial efficiency because the coefficient of the interaction term (α_4) and the additive term (α_2) have an opposite sign. In addition, the theoretical model does not explicitly take the effect of foreign aid, so that the sign of α_3, α_5, α_6 and α_7 are not predefined. Nonetheless, depending on the kind of aid, we should expect a negative sign for α_3 (aid allows to reduce deforestation) whereas the expected negative sign of α_5, α_6 and α_7 will likely be more significant insofar aid is assumed to well-perform in high judicial efficiency

and high compliance contexts. Yet, the opposite story could be addressed if we suppose that the effect of aid on deforestation is channeled through infrastructures of supply and demand side of governance, notably judicial efficiency and stakeholders' environmental compliance. In these cases, the sign of α_5, α_6 and α_7 is unknown because it will depend on the positive or negative effect of aid on judicial efficiency as well on environmental compliance. For instance, if we assume that aid could contribute to undermine the institutional quality in recipient country subjected to high aid dependency (since aid can become a rent to be captured by elites) the sign of α_6 could be positive (aid worsens deforestation).

We run cross-countries regressions over 59 developing countries and a time-span of 2005-2007 because the study is constrained by the availability of data (see Annexe 3 for descriptive statistics). In fact, in the literature, we found no data on environmental compliance at the country level. To address this issue, we built an index of environmental compliance from the data of several reports provided by the World Economic Forum. The environmental compliance variable is a predicted value of corporate ethics[132] of firms in a given country which has been regressed on (i) a variable measuring the burdens for businesses to comply with governmental administrative requirements (averaged over 2007-2009) and on (ii) a variable related to the stringency of environmental regulation (averaged over 2007-2009). As a proxy of supply for good governance such as judicial efficiency, we use the *Rule of Law* index developed by Kaufmann et al (2008). This variable "captures 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". It is defined from -2.5 (low) to 2.5 (high), averaged over 2005-2008 (See figure 6 in Annex 2 for the pattern of environmental compliance and rule of law).

The dependent variable is the deforestation rate between 2005 and 2007 (minus the difference in logarithms of forest area, expressed in thousands of hectares, when

[132]Corporate ethics is the ethical behavior in interactions with public officials, politicians, and other enterprises in a given country. The data are averaged over 2007-2009.

forest area is strictly positive, source: FAO). The Figure 5 in Annex displays a ranking of countries concerned by this analysis on the basis of deforestation rate, Nigeria being the top country of deforestation in our sample.

Concerning aid variables, we use successively different measures in order to make some comparisons. First, we use global aid disbursements in each country (using OECD/DAC aid data). Second, we use two sectoral aid likely to have direct effects on deforestation: aid to forestry and aid to environment. Third, we use two other sectoral aid likely to affect indirectly deforestation through supply side infrastructures of governance (aid to legal and judicial sector) and demand side infrastructures (aid to participation and civil society organizations). All these sectoral data are collected for multilateral, bilateral and all donors. They come from CRS data (OECD/DAC).

From the literature on deforestation factors, we picked up some control variables. First, the path of deforestation is often associated positively with the initial forest area (*Lag deforestation*) for three main reasons: (i) the scarcity effect implies that any remaining forested lands are more preserved; (ii) logging or forest conversion activities are more expensive when forest areas are scarce; (iii) non-forested lands (in proportion to the total area) are more available to other land uses such as agriculture, cattle ranching, tree plantations or urbanization when forest lands are important. Second, the environmental Kuznets curve (EKC) approach states that the level of environmental degradation, measured by environmental indicators such deforestation, is linked to economic development (Bhattarai and Hammig, 2001; Culas, 2007). This relation implies a non-linear effect of economic growth on deforestation (*Log GDP per capita* and *Log GDP per capita squared*): the marginal income effect is positive for low income countries and becomes negative for high income economies. Third, demographical effects and more particularly population pressures are associated with greater deforestation. The common explanation advanced is that population growth encourages the conversion of forest land to other uses (such as agricultural uses) by increasing the need for arable land. The growth of population (*Pop*) and the extent of the rural population (*Rural*) are introduced to

control for these pressures on forest land (Cropper and Griths, 1994). Fourth, we introduce a legal origins dummy to capture institutional differences due to different legal systems (Laporta et al, 1999). We also control for the effect of forest rent (in %GDP) which is likely to increase deforestation since its become a main source of wealth in some producer countries. A *latitude* variable as well as region dummies are used to control for non-observed differences.

2. The estimation strategy and the issue of endogeneity

In order to avoid running a naive estimation of the parameters of the model which may lead to biased estimates, we have taken into account the issue of endogeneity. To tackle this issue, a selection on observables in adding a large number of control variables or a selection on unobservables measuring all other time-invariant determinants could be implemented. However, the first approach does not allow to control for all the bias, and the second could not be implemented in this paper using cross-country data. Thus, a third approach relies on the use of instrumental variables (IV) under three conditions. First, IV should be correlated with the supposed endogenous variable. Second, the error term in the instrumentation equations has to be uncorrelated with the measurement error in the structural equations. Third, the IV should not be correlated with the dependent variable, except through the endogenous variables or through the effect on the other variables that have been already controlled for. Estimations are made with the 2SLS estimator. The choice of pertinent instruments for each one of the three variables of interest, i.e., environmental compliance, judicial efficiency and foreign aid, relies on the literature. As in Damania et al (2004), environmental compliance could be instrumented by the level of *civic liberties* and the degree of *environmental education*. These two variables measure the extent of informal regulatory pressures in the society and are expected to influence positively environmental compliance. As instruments of judicial efficiency, we use the intensity of *constitutional changes* and the degree of *political participation*. We assume that judicial efficiency is negatively influenced by the frequency of changes in the legal system (Damania et al, 2004) and positively by the degree of judicial independence (Laporta et al, 2004). Finally, as foreign aid

instrument we use the aid dependency index (aid in % GDP) which measures the extent to which recipient countries are dependant to foreign aid. Indeed, the amount of aid disbursements in recipient countries for purposes of environmental protection and governance improvement is positively influenced by the overall level of its aid dependency. Thus, the effect of aid dependency on deforestation is channeled through the amount of aid disbursements in recipient countries. Besides, aid dependency could also be used as an instrument for judicial efficiency since a part of aid literature assumes that high aid dependency is likely to impede governance quality in recipient countries (Knack, 2001; Brautigam and Knack, 2004).

3. Main econometric findings

3.1. The interaction between demand and supply for good governance

The main results related to the Proposition 1 of the theoretical model are displayed in Table 2 (col.1 to 6). The OLS estimations are followed by IV-2SLS ones for a sake of validity checks. We find that environmental compliance could help to reduce deforestation. In both specification, compliance has a negative effect which is only significant in the 2SLS specification. Besides, this effect increases with the quality of the supply of good governance infrastructures, notably the rule of law (RL). Indeed, the interaction term (Compliance*Rule of Law) is negative and significant (in the 2SLS specification). This suggests that a better rule of law enhances the negative effects of environmental compliance on deforestation. Yet, the additive coefficient of rule of law is positive. This suggests that an improvement of the legal system could be associated with high deforestion, but only in a context of weak environmental compliance. These findings support the argument according to which good governance reforms, solely based on the supply side, are likely to be inefficient unless an appropriation and ownership by demand side actors through a better compliance. In addition, from column 6 (Table 2), the threshold level of environmental compliance that ensures a negative marginal impact of rule of law on deforestation stands at 3.42[133]. The majority of countries (41 countries over the sample) has levels consistent with an overall negative effect of rule of law on

[133]Environmental compliance ranges from 2.57 to 5.25 with a mean at 3.80.

deforestation. In these countries, compliance is high enough to allow this negative effect of rule of law on deforestation. Conversely, in the remaining 18 countries[134] the low level of environmental compliance does not allow to have a profitable effect of supply for good governance infrastructures on the reduction of deforestation.

3.2. The effects of foreign aid on deforestation

The columns 7 to 12 of Table 2 present the results of regressions using global aid whereas Table 3 and 4 present those of sectoral aid. We find that global aid does not have significant (statistically) effect on deforestations even though its coefficient is associated with a negative sign. This result does not change if we condition aid effect to environmental compliance or rule of law. Hence, the suitable aid measure could be at sector level. Thus, in Table 3, we find that forestry and environment aids are associated with a reduction in deforestation. Yet, this effect is only significant for multilateral aid to the forestry sector and when this effect is conditioned both to high environmental compliance and high quality of rule of law (see col. 8, Table 3). This result highlights the importance of the role of multilateral institutions in the fight against deforestation. In contrast, the Table 4 depicts the results obtained with aid to legal and judicial sector as well that affected to participation and civil society organizations. These sectoral aid flows present significant reducing effects on deforestation only for bilateral donors. This effect is particularly robust for bilateral aid allocated to legal and judicial sector when the quality of rule of law increases (see interaction variable Rule of law*Aid Table 4 col. 3 and 4). These findings could be explained by the fact that bilateral donors are more efficient in terms of forest preservation when they promote the rule of law in recipient countries. Moreover, insofar the legal origin in most recipient countries was historically derived from main bilateral donors countries, a part of their aid will likely serve to strengthen the influence of their forest-friendly laws and judicial system in developing countries.

[134] These countries are Algeria, Argentina, Bangladesh, Bolivia, Cameroon, Chad, Ivory Coast, Dominican Republic, Ecuador, Kazakhstan, Kyrgyzstan, Mongolia, Nepal, Peru, Suriname, Venezuela, Vietnam, Zimbabwe.

Conclusion

This chapter has analyzed the interactions between supply and demand for good governance in the case of deforestation in developing countries. The role of multilateral and bilateral donors in environmental protection was also assessed through their official development aid. As an example of demand side factors of good governance, we used environmental compliance whereas the judicial efficiency and rule of law were used as an example of supply for good governance. From the principal--agent model that we have developed, we find that an improvement in the efficiency of the governance infrastructure, such as judicial efficiency, favor the implementation of a more stringent forest policy. This supply side of good governance is then necessary but not sufficient in protecting the environment. In fact, the model, developed in this study, showed that environmental compliance is a substitute of low judicial efficiency and a complement of high judicial efficiency in combating deforestation. Empirical investigations, using cross sectional data for 59 developing countries, support the main theoretical predictions. Environmental compliance helps to preserve the forest, but this effect is reinforced by higher quality of rule of law. In countries where the rule of law is too weak to prevent environmental losses, a better environmental compliance could be a good substitute. Conversely, in countries where environmental compliance is low, an improvement of the rule of law does not guarantee a reduction in deforestation. This non-substituability between low compliance and high quality of rule of law could explain the relative inefficiency and non-sustainability of good governance reforms (mainly based on supply side infrastructures) undertaken in developing countries. Concerning the effects of donor aid, we found that multilateral aid to the forestry sector is more efficient in reducing deforestation in countries where both environmental compliance and rule of law is better. Bilateral aid is found to be more forest-friendly when it is allocated to legal and judicial sector in countries where the quality of rule of law is improved. These findings call for more consideration of the appropriation of institutional reforms by the main stakeholders in order ensure the sustainability of the development process.

Table n°2 : Effects of environmental compliance, Rule of Law (RL) and foreign aid on deforestation in developing countries (2005-2007)

VARIABLES	(1) OLS	(2) OLS	(3) OLS	(4) IV-2SLS	(5) IV-2SLS	(6) IV-2SLS	(7) OLS	(8) IV-2SLS	(9) OLS	(10) IV-2SLS	(11) OLS	(12) IV-2SLS
							X= Multilateral total aid		**X= Bilateral total aid**		**X= All donors total aid**	
Envir. compliance	-0.0040	0.000169	-0.00275	-0.0144***	-0.0116	-0.0113*	-0.00693	-0.0164	-0.0103	-0.0438	-0.00967	-0.0386
	(-1.506)	(0.0518)	(-0.854)	(-2.585)	(-1.551)	(-1.724)	(-0.908)	(-0.685)	(-0.781)	(-0.732)	(-0.784)	(-0.676)
Compliance*RL			-0.00724**			-0.0158***	0.0106	0.0249	-0.00546	-0.0219	0.000830	0.0450
			(-2.517)			(-3.367)	(0.877)	(0.994)	(-0.368)	(-0.618)	(0.0513)	(0.882)
Rule of Law (RL)		-0.00819**	0.0194*		0.00236	0.0541***	-0.0443	-0.0968	0.0242	0.103	-0.000581	-0.164
		(-2.309)	(1.901)		(0.431)	(3.492)	(-0.921)	(-1.032)	(0.445)	(0.578)	(-0.00929)	(-0.736)
Compliance*X							0.000522	0.00210	0.00148	0.00727	0.00117	0.00515
							(0.266)	(0.341)	(0.531)	(0.590)	(0.498)	(0.476)
Rule of law*X							0.0157	0.0287	-0.00118	-0.0140	0.00368	0.0384
							(1.441)	(1.379)	(-0.0999)	(-0.356)	(0.316)	(0.894)
Compliance*RL*X							-0.00444	-0.00779	-0.000327	0.00240	-0.00152	-0.0108
							(-1.612)	(-1.461)	(-0.0989)	(0.288)	(-0.495)	(-1.089)
X (type of aid)							-0.00134	-0.00723	-0.00606	-0.0322	-0.00465	-0.0211
							(-0.161)	(-0.274)	(-0.555)	(-0.601)	(-0.487)	(-0.445)
Forest rent	0.00109	0.00124*	0.00133*	0.00105	0.00107*	0.00142**	0.000963	0.000907	0.00127	0.00167*	0.00120	0.00107
	(1.629)	(1.740)	(1.820)	(1.630)	(1.822)	(2.050)	(1.078)	(1.170)	(1.520)	(1.951)	(1.366)	(1.259)
Lag deforestation	-0.0007	-0.000597	-0.000598	-0.00109	-0.00100	-0.000801	-0.000499	-0.000838	-0.000711	-0.000832	-0.000645	-0.000992
	(-0.780)	(-0.683)	(-0.743)	(-1.322)	(-1.214)	(-1.145)	(-0.543)	(-0.997)	(-0.806)	(-1.071)	(-0.723)	(-1.177)
GDP per capita	0.0128	0.00774	-0.0178	0.0308	0.0312	-0.0340	-0.00497	0.0176	-0.0175	-0.00647	-0.0161	0.00278
	(0.373)	(0.277)	(-0.654)	(0.881)	(0.925)	(-1.044)	(-0.159)	(0.481)	(-0.566)	(-0.222)	(-0.535)	(0.0884)
GDP per capita ^2	-0.0010	-0.000556	0.00134	-0.00198	-0.00221	0.00268	0.000464	-0.00120	0.00133	0.000458	0.00124	-0.000113
	(-0.420)	(-0.267)	(0.661)	(-0.794)	(-0.911)	(1.120)	(0.200)	(-0.439)	(0.582)	(0.207)	(0.553)	(-0.0487)
Rural population	-0.0001	-0.000134	-0.000146	-9.75e-07	-4.01e-05	-9.83e-05	-0.000109	-7.29e-05	-0.000139	-0.000151	-0.000135	-9.96e-05
	(-0.843)	(-0.878)	(-0.975)	(-0.00702)	(-0.276)	(-0.701)	(-0.664)	(-0.482)	(-0.877)	(-0.997)	(-0.820)	(-0.564)
Pop. growth	0.00233	0.00215	0.00195	-0.000572	-0.000110	-8.78e-05	0.00152	0.000441	0.00197	-0.000202	0.00178	-0.000885
	(1.028)	(1.059)	(1.008)	(-0.248)	(-0.0465)	(-0.0444)	(0.771)	(0.258)	(1.009)	(-0.0995)	(0.935)	(-0.399)
French Civil Law	-0.011**	-0.0109**	-0.00983**	-0.0149***	-0.0140***	-0.0107***	-0.00894**	-0.00949**	-0.00998**	-0.0109***	-0.00975**	-0.00932**
	(-2.515)	(-2.566)	(-2.444)	(-3.322)	(-3.369)	(-2.857)	(-2.079)	(-2.413)	(-2.305)	(-3.302)	(-2.251)	(-2.368)
Socialist law	-0.0092	-0.0117**	-0.0133**	-0.0115	-0.00983	-0.0154***	-0.0149**	-0.0148***	-0.0132**	-0.0124*	-0.0138**	-0.0177***
	(-1.337)	(-2.016)	(-2.415)	(-1.422)	(-1.234)	(-2.798)	(-2.694)	(-2.696)	(-2.161)	(-1.691)	(-2.359)	(-2.833)
Latitude of Capital	-0.0086	-0.00480	-0.00460	-0.0220	-0.0209	-0.0135	-0.00231	-0.0105	-0.00461	-0.0239	-0.00465	-0.0182
	(-0.602)	(-0.372)	(-0.356)	(-1.363)	(-1.337)	(-1.092)	(-0.170)	(-0.881)	(-0.333)	(-1.569)	(-0.338)	(-1.267)
America	0.00286	0.000719	-0.00100	0.00251	0.00407	-0.00193	-0.00227	-0.00156	-0.00112	-0.000617	-0.00155	-0.00508
	(0.628)	(0.160)	(-0.237)	(0.514)	(0.928)	(-0.422)	(-0.537)	(-0.397)	(-0.238)	(-0.105)	(-0.353)	(-0.915)
Asia	-0.0035	-0.00316	-0.00220	-0.00772*	-0.00691	-0.00348	-0.00261	-0.00304	-0.00247	-0.00130	-0.00238	-0.00136
	(-0.831)	(-0.793)	(-0.519)	(-1.689)	(-1.509)	(-0.712)	(-0.622)	(-0.629)	(-0.576)	(-0.242)	(-0.558)	(-0.219)
Observations	59	59	59	57	57	57	58	56	59	57	59	57
Adjusted R2	0.213	0.289	0.344	0.226	0.321	0.431	0.311	0.527	0.292	0.537	0.292	0.436
Hansen j stat				1.750	4.239	5.693		18.31		15.51		15.17
Hansen j P- val				0.186	0.0395	0.128		0.0317		0.0778		0.0863
Anderson-Rubin test				12.02	12.93	28.11		163.9		169.8		186.9
Anderson-Rubin P-val				0.00245	0.00480	8.94e-05		0		0		0
Shea R2 compliance				0.1959	0.1301	0.1686		0.1754		0.1093		0.1230
Shea R2 compliance*RL					0.2643	0.3479		0.2434		0.1628		0.1370
Shea R2 RL						0.3801		0.2624		0.1292		0.1192
Shea R2 compliance*X								0.1441		0.0983		0.1081
Shea R2 RL*X								0.2928		0.1139		0.1109
Shea R2 compliance*RL*X								0.2943		0.1369		0.1256
Shea R2 X								0.1504		0.0961		0.1051

Note : *** p<0.01, ** p<0.05, * p<0.1. RL=Rule of Law, this is a proxy of supply for good governance. Environmental compliance is a proxy of demand for good governance.

Table n°3 : Effects of environment and forestry aid on deforestation in developing countries (2005-2007)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	X= Aid to legal and judicial sector						X= Aid to Participation and Civil Society Organizations sector					
	Multilateral		Bilateral		All donors		Multilateral		Bilateral		All donors	
VARIABLES	OLS	IV-2SLS	OLS	IV-2SLS	OLS	IV-2SLS	OLS	IV-2SLS	OLS	IV-2SLS	OLS	IV-2SLS
Envir. compliance	-0.0116**	-0.0132*	-0.00837*	-0.0229***	-0.00893*	-0.0235**	-0.00495	-0.00836	-0.00592	-0.0168**	-0.00679	-0.0226***
	(-2.187)	(-1.737)	(-1.901)	(-3.111)	(-1.858)	(-2.343)	(-1.213)	(-1.164)	(-1.221)	(-2.404)	(-1.406)	(-2.582)
Compliance*RL	-0.0079**	-0.00976**	-0.0109***	-0.0161***	-0.00886***	-0.00951	-0.00644	-0.00228	-0.0103***	-0.0108**	-0.00972**	-0.00678
	(-2.293)	(-2.219)	(-4.046)	(-3.282)	(-3.137)	(-1.192)	(-1.659)	(-0.269)	(-3.004)	(-2.360)	(-2.087)	(-1.057)
Rule of Law (RL)	0.0300**	0.0364**	0.0412***	0.0715***	0.0337***	0.0489	0.0201	0.00892	0.0346***	0.0448***	0.0340*	0.0330
	(2.364)	(2.096)	(4.265)	(3.530)	(3.128)	(1.449)	(1.321)	(0.272)	(2.772)	(2.734)	(1.884)	(1.431)
Compliance*X	0.00232	0.00167	0.00492**	0.0131**	0.00239	0.00683	0.00144	-0.00328	0.00143	0.00251	0.00106	0.00241*
	(1.393)	(0.442)	(2.456)	(2.266)	(1.657)	(1.409)	(0.751)	(-0.508)	(1.499)	(1.616)	(1.308)	(1.653)
Rule of law*X	0.00574	0.0104	-0.0297***	-0.0531**	-0.0108	-0.00133	6.11e-05	0.0183	-0.00626*	0.000478	-0.00359	0.00165
	(0.823)	(0.775)	(-3.289)	(-2.339)	(-1.347)	(-0.0406)	(0.0137)	(0.928)	(-1.715)	(0.0967)	(-1.202)	(0.363)
Compliance*RL*X	-0.00276	-0.00314	0.00648***	0.0109**	0.00207	-0.00172	-0.000589	-0.00515	0.00143	-0.000733	0.000736	-0.000987
	(-1.452)	(-1.055)	(2.940)	(2.063)	(1.037)	(-0.204)	(-0.603)	(-1.085)	(1.525)	(-0.552)	(0.987)	(-0.806)
X	-0.0101	-0.00632	-0.0219**	-0.0572**	-0.0107*	-0.0296	-0.00581	0.0141	-0.00625	-0.0110*	-0.00453	-0.0102*
	(-1.570)	(-0.397)	(-2.568)	(-2.313)	(-1.779)	(-1.429)	(-0.725)	(0.519)	(-1.583)	(-1.686)	(-1.335)	(-1.676)
Forest rent	0.000964	0.00112	0.00152*	0.00175*	0.00123	0.000755	0.00115	0.000523	0.00148*	0.00150*	0.00152*	0.00135
	(1.086)	(1.304)	(1.787)	(1.827)	(1.470)	(0.763)	(1.285)	(0.606)	(1.780)	(1.764)	(1.750)	(1.627)
Lag deforestation	-0.00088	-0.000940	-0.000753	-0.00120	-0.000545	-0.000619	-0.000565	-0.000780	-0.000505	0.000307	-0.000522	3.59e-05
	(-1.036)	(-1.365)	(-0.906)	(-1.235)	(-0.645)	(-0.439)	(-0.626)	(-1.013)	(-0.531)	(0.263)	(-0.558)	(0.0333)
GDP per capita	-0.0236	-0.0204	-0.0309	-0.0653*	-0.0305	-0.0989**	-0.0256	-0.00994	-0.00326	-0.0137	-0.00971	-0.00717
	(-0.989)	(-0.816)	(-1.085)	(-1.807)	(-1.133)	(-2.150)	(-1.022)	(-0.324)	(-0.109)	(-0.387)	(-0.335)	(-0.213)
GDP per capita ^2	0.00173	0.00139	0.00236	0.00502*	0.00233	0.00719**	0.00192	0.000785	0.000267	0.000933	0.000755	0.000527
	(0.967)	(0.757)	(1.122)	(1.860)	(1.174)	(2.128)	(1.036)	(0.340)	(0.120)	(0.358)	(0.348)	(0.211)
Rural population	-3.8e-05	-4.59e-05	-0.000125	-3.45e-05	-7.11e-05	3.00e-05	-8.92e-05	3.23e-05	-0.000166	-9.93e-05	-0.000154	-9.37e-05
	(-0.266)	(-0.255)	(-0.942)	(-0.271)	(-0.562)	(0.147)	(-0.633)	(0.259)	(-1.057)	(-0.650)	(-0.986)	(-0.619)
Pop. growth	0.000304	-0.000649	0.00152	-0.000741	0.00122	-0.000449	0.00168	-0.000927	0.00269	-0.00117	0.00239	-0.00235
	(0.145)	(-0.380)	(0.919)	(-0.387)	(0.713)	(-0.136)	(0.847)	(-0.405)	(1.346)	(-0.425)	(1.200)	(-0.688)
French Civil Law	-0.0069**	-0.00904***	-0.00810**	-0.00412	-0.00719**	0.000318	-0.00774**	-0.00968**	-0.00902**	-0.00926**	-0.00894**	-0.00718
	(-2.360)	(-2.939)	(-2.173)	(-0.747)	(-2.286)	(0.0426)	(-2.174)	(-2.495)	(-2.063)	(-2.005)	(-2.186)	(-1.496)
Socialist law	-0.0154**	-0.0161***	-0.00498	0.000361	-0.00908	-0.0180	-0.0123**	-0.0103	-0.0135**	-0.0230***	-0.0141**	-0.0229***
	(-2.674)	(-2.714)	(-0.941)	(0.0452)	(-1.564)	(-1.135)	(-2.124)	(-1.581)	(-2.290)	(-3.067)	(-2.446)	(-3.001)
Latitude of Capital	0.00166	-0.00559	-0.0187	-0.0452***	-0.0100	-0.00775	-0.000499	-0.00953	-0.00735	-0.00518	-0.00450	-0.0109
	(0.113)	(-0.412)	(-1.384)	(-3.219)	(-0.710)	(-0.254)	(-0.0339)	(-0.664)	(-0.528)	(-0.308)	(-0.328)	(-0.736)
America	0.000549	0.00382	-0.00420	-0.00643	-0.00315	-0.00403	0.000442	0.00382	-0.00116	0.00129	-0.000936	-0.00191
	(0.146)	(0.887)	(-0.955)	(-1.583)	(-0.772)	(-0.677)	(0.0972)	(0.746)	(-0.267)	(0.359)	(-0.230)	(-0.439)
Asia	-0.00264	-0.00223	-0.00437	-0.00158	-0.00323	0.00779	-0.00117	-0.00547	-0.000199	0.00346	0.000121	0.00304
	(-0.558)	(-0.414)	(-1.129)	(-0.240)	(-0.756)	(0.731)	(-0.259)	(-1.175)	(-0.0428)	(0.570)	(0.0240)	(0.463)
Observations	56	55	58	56	59	57	59	57	59	57	59	57
Adjusted R2	0.426	0.576	0.420	0.364	0.400	-0.381	0.353	0.439	0.322	0.335	0.312	0.310
Hansen j stat		12.50		8.720		6.685		11.78		12.12		10.04
Hansen j P- val		0.187		0.463		0.670		0.226		0.207		0.348
Anderson-Rubin test		173.9		179.4		184.9		99.87		131.7		113.1
Anderson-Rubin P-val		0		0		0		0		0		0
Shea R2 compliance		0.3500		0.2150		0.2576		0.2884		0.3713		0.3149
Shea R2 compliance*RL		0.4924		0.4188		0.3846		0.2622		0.4703		0.5354
Shea R2 RL		0.4814		0.3591		0.3380		0.2900		0.5079		0.5716
Shea R2 compliance*X		0.1763		0.1204		0.1391		0.2146		0.3882		0.3292
Shea R2 RL*X		0.2297		0.2483		0.1319		0.1439		0.5924		0.4838
Shea R2 compliance*RL*X		0.3030		0.2749		0.1391		0.1246		0.5069		0.4343
Shea R2 X	0.1592	0.1160		0.1289		0.2128		0.3868		0.3327		0.3327

Note : *** p<0.01, ** p<0.05, * p<0.1. RL=Rule of Law, this is a proxy of supply for good governance. Environmental compliance is a proxy of demand for good governance.

Table n° 4: Effects of environment and forestry aid on deforestation in developing countries (2005-2007)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	X= Aid to environment sector						X= Aid to forestry sector					
	Multilateral		Bilateral		All donors		Multilateral		Bilateral		All donors	
VARIABLES	OLS	IV-2SLS	OLS	IV-2SLS	OLS	IV-2SLS	OLS	IV-2SLS	OLS	IV-2SLS	OLS	IV-2SLS
Envir. compliance	-0.00582	-0.0145**	-0.00440	-0.0141**	-0.00543	-0.0152*	0.0101	0.00874	-0.00269	-0.0118*	-0.00321	-0.00851
	(-1.346)	(-2.009)	(-0.910)	(-2.041)	(-1.127)	(-1.794)	(1.421)	(1.106)	(-0.581)	(-1.656)	(-0.759)	(-1.249)
Compliance*RL	-0.0113**	-0.0184**	-0.00998*	-0.0138**	-0.0104**	-0.0148*	0.00125	0.0100*	-0.00719*	-0.00874**	-0.00789**	-0.00708*
	(-2.396)	(-2.146)	(-2.002)	(-2.465)	(-2.045)	(-1.897)	(0.309)	(1.881)	(-1.788)	(-2.072)	(-2.283)	(-1.720)
Rule of Law (RL)	0.0372**	0.0623**	0.0325*	0.0522**	0.0351*	0.0577*	-0.0156	-0.0436*	0.0197	0.0304	0.0227*	0.0220
	(2.277)	(2.000)	(1.697)	(2.211)	(1.833)	(1.688)	(-0.848)	(-1.781)	(1.262)	(1.644)	(1.686)	(1.234)
Compliance*X	0.00147	0.00146	0.000406	0.000983	0.000392	0.000833	-0.00287	-0.00531	0.000116	-0.000217	0.000278	-0.00101
	(1.094)	(0.588)	(0.745)	(0.860)	(0.939)	(0.670)	(-0.951)	(-1.498)	(0.0803)	(-0.0999)	(0.298)	(-0.663)
Rule of law*X	-0.00871	-0.00838	-0.00258	-0.00564	-0.00206	-0.00398	0.0120	0.0569**	0.000449	0.00999	-0.00142	0.0128
	(-1.090)	(-0.629)	(-0.774)	(-0.840)	(-0.808)	(-0.577)	(1.012)	(2.087)	(0.0526)	(0.757)	(-0.250)	(1.251)
Compliance*RL*X	0.00202	0.00278	0.000550	0.00130	0.000420	0.000850	-0.00336	-0.0153**	-0.000101	-0.00238	0.000347	-0.00302
	(0.917)	(0.774)	(0.662)	(0.814)	(0.649)	(0.539)	(-1.134)	(-2.247)	(-0.0496)	(-0.766)	(0.256)	(-1.255)
X	-0.00661	-0.00480	-0.00189	-0.00428	-0.00184	-0.00373	0.0124	0.0233	-0.000625	0.000768	-0.00128	0.00417
	(-1.215)	(-0.481)	(-0.836)	(-0.878)	(-1.060)	(-0.693)	(0.986)	(1.552)	(-0.103)	(0.0835)	(-0.324)	(0.645)
Forest rent	0.00141*	0.00146*	0.00116	0.00119**	0.00118	0.00120*	0.00200**	0.00165***	0.00125	0.00121*	0.00130*	0.00104
	(1.769)	(1.941)	(1.511)	(1.998)	(1.503)	(1.843)	(2.490)	(3.106)	(1.674)	(1.734)	(1.685)	(1.426)
Lag deforestation	-0.000338	-0.00157	0.000276	-6.15e-06	0.000321	0.000155	-0.00215*	-0.00271***	0.000122	0.000103	-7.08e-06	0.000145
	(-0.320)	(-1.553)	(0.255)	(-0.00569)	(0.293)	(0.137)	(-1.927)	(-3.555)	(0.113)	(0.121)	(-0.00676)	(0.161)
GDP per capita	-0.0353	-0.0432	-0.0238	-0.0169	-0.0259	-0.0225	-0.000814	0.0392	-0.0138	0.00987	-0.0173	0.0148
	(-1.280)	(-1.317)	(-0.733)	(-0.529)	(-0.840)	(-0.717)	(-0.0152)	(0.684)	(-0.423)	(0.295)	(-0.541)	(0.451)
GDP per capita ^2	0.00253	0.00322	0.00174	0.00129	0.00187	0.00166	9.64e-05	-0.00281	0.00104	-0.000532	0.00128	-0.000904
	(1.232)	(1.345)	(0.720)	(0.555)	(0.814)	(0.728)	(0.0249)	(-0.676)	(0.427)	(-0.217)	(0.539)	(-0.375)
Rural population	-0.000154	-0.000140	-0.000119	-5.89e-05	-0.000123	-6.90e-05	-0.000110	-0.000119	-0.000119	-3.64e-05	-0.000127	-5.23e-05
	(-0.979)	(-0.839)	(-0.785)	(-0.501)	(-0.820)	(-0.586)	(-0.884)	(-0.967)	(-0.742)	(-0.270)	(-0.801)	(-0.366)
Pop. growth	0.00190	0.000868	0.00200	-4.80e-06	0.00170	-0.000650	-0.00176	-0.00212	0.00189	-0.00101	0.00192	-0.000822
	(0.980)	(0.394)	(0.972)	(-0.00255)	(0.869)	(-0.384)	(-0.810)	(-1.075)	(0.937)	(-0.525)	(0.945)	(-0.435)
French Civil Law	-0.0099**	-0.0116***	-0.00921**	-0.0107***	-0.00882**	-0.0100***	-0.00668	-0.00623	-0.00926**	-0.0100***	-0.00956**	-0.00887**
	(-2.427)	(-3.140)	(-2.065)	(-2.873)	(-2.025)	(-2.761)	(-1.475)	(-1.451)	(-2.160)	(-2.952)	(-2.241)	(-2.513)
Socialist law	-0.0118*	-0.0134*	-0.0111*	-0.00922	-0.0115*	-0.0109	-0.0281**	-0.0321***	-0.0119*	-0.0124*	-0.0114	-0.0134*
	(-2.016)	(-1.904)	(-1.787)	(-1.294)	(-1.861)	(-1.423)	(-2.671)	(-3.726)	(-1.690)	(-1.662)	(-1.596)	(-1.931)
Latitude of Capital	-0.00708	-0.0250	-0.00284	-0.0169	-0.00478	-0.0198	0.0259	0.0297	-0.00404	-0.0210	-0.00553	-0.0186
	(-0.488)	(-1.526)	(-0.204)	(-1.344)	(-0.342)	(-1.533)	(0.776)	(1.118)	(-0.259)	(-1.217)	(-0.344)	(-1.063)
America	-0.000683	0.00109	-0.000984	0.000546	-0.00136	-0.000102	0.000887	0.000124	-0.000660	7.15e-05	-0.000696	-0.00114
	(-0.153)	(0.244)	(-0.232)	(0.131)	(-0.314)	(-0.0280)	(0.282)	(0.0308)	(-0.147)	(0.0161)	(-0.153)	(-0.252)
Asia	-0.000701	-0.000623	-0.00120	-0.00335	-0.000262	-0.000881	-0.00581	-0.00518	-0.00123	-0.00229	-0.00150	-0.00237
	(-0.148)	(-0.110)	(-0.260)	(-0.755)	(-0.0545)	(-0.186)	(-1.450)	(-1.183)	(-0.254)	(-0.482)	(-0.316)	(-0.503)
Observations	59	57	59	57	59	57	39	39	59	57	59	57
Adjusted R2	0.321	0.415	0.328	0.524	0.330	0.549	0.500	0.536	0.301	0.468	0.298	0.443
Hansen j stat		12.71		16.82		16.79		4.432		12.93		11.24
Hansen j P- val		0.176		0.0517		0.0521		0.729		0.166		0.260
Anderson-Rubin test		192.8		130.2		138.7		192.0		237.3		244.7
Anderson-Rubin P-val		0		0		0		0		0		0
Shea R2 compliance		0.2922		0.3101		0.2361		0.5171		0.3080		0.2979
Shea R2 compliance*RL		0.2683		0.4554		0.2930		0.4666		0.5039		0.4612
Shea R2 RL		0.2789		0.4191		0.2555		0.5179		0.4909		0.4545
Shea R2 compliance*X		0.2235		0.1859		0.1102		0.6370		0.3107		0.3281
Shea R2 RL*X		0.2229		0.1795		0.1061		0.4757		0.2758		0.2948
Shea R2 compliance*RL*X		0.2297		0.1903		0.1193		0.4492		0.2791		0.2984
Shea R2 X		0.2103		0.1821		0.1058		0.6358		0.3113		0.3287

Note : *** p<0.01, ** p<0.05, * p<0.1. RL=Rule of Law, this is a proxy of supply for good governance. Environmental compliance is a proxy of demand for good governance.

Annexes

Annex 1: Proofs

Result 1

$$\bar{e}^{*}_{\lambda} = \frac{\overbrace{f_v^H}^{>0}}{\underbrace{H_{ee} + \frac{\alpha}{\beta - \alpha\beta}\left(W_H H_{ee} + W_{ee}\right) - \lambda f_{vv}^H}_{<0}} < 0 \qquad (10)$$

The sign of the numerator f_v^H is positive and the sign of the denominator is negative ($H_{ee} < 0$, $W_H > 0$ and $H_{ee} < 0$, $W_{ee} < 0$, f_{vv}^H). Hence, the sign of the marginal effect of λ on $\bar{e}^{*}$ is unambiguously negative.

Result 2

$$\bar{e}^{*}_{\beta} = \frac{\overbrace{-([W_H H_e + W_e]}^{?}}{\underbrace{H_{ee} + \frac{\alpha}{\beta - \alpha\beta}\left(W_H H_{ee} + W_{ee}\right) - \lambda f_{vv}^H}_{<0}} \qquad (11)$$

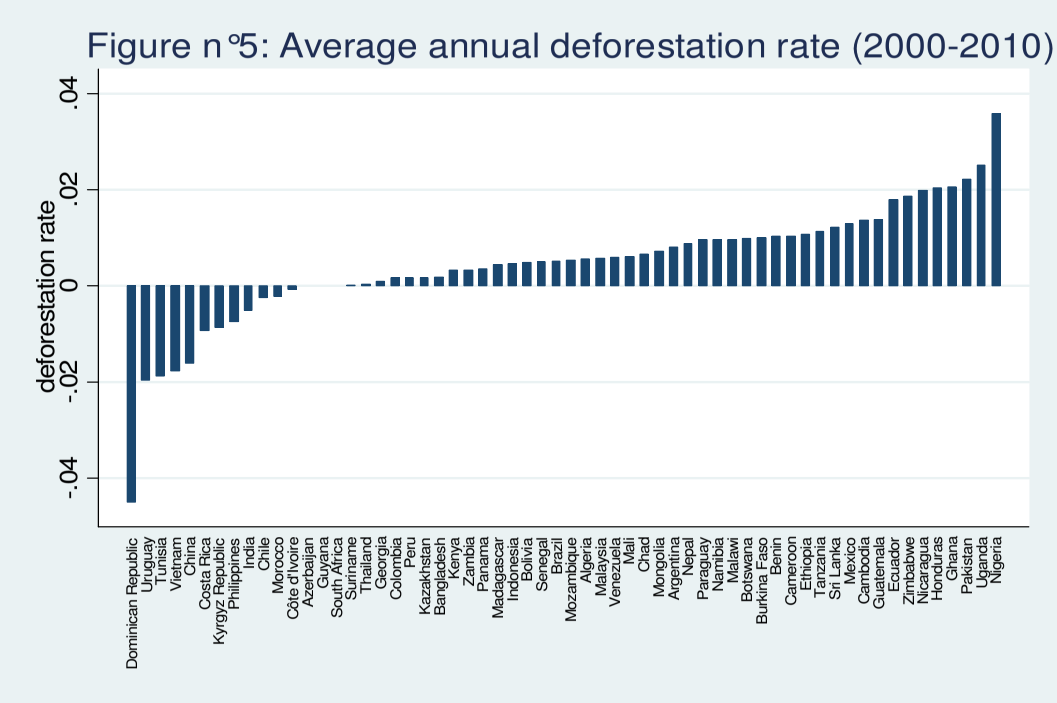
The sign of the denominator is negative because $H_{ee} < 0$, $W_H > 0$ and $H_{ee} < 0$, $W_{ee} < 0$, $f_{vv}^H > 0$. Hence, the sign of the marginal effect of β on $\bar{e}^{*}$ depends on the sign of the numerator which depends on the sign of $W_H H_e + W_e$ given that the sign of $\frac{\beta - \alpha\beta + \alpha}{(\beta - \alpha\beta)^2}$ is positive. However, $W_H H_e$ is positive and W_e negative, the sign of $W_H H_e + W_e$ is ambiguous. From equation (8), we have $1 + \frac{\alpha}{\beta - \alpha\beta} > \frac{\alpha}{\beta - \alpha\beta}$ so that $W_H H_e$ must be lower than $-W_e + \lambda f_v^H$ or $W_H H_e + W_e < \lambda f_v^H$ and so the sign of $W_H H_e + W_e$ depends on λf_v^H.

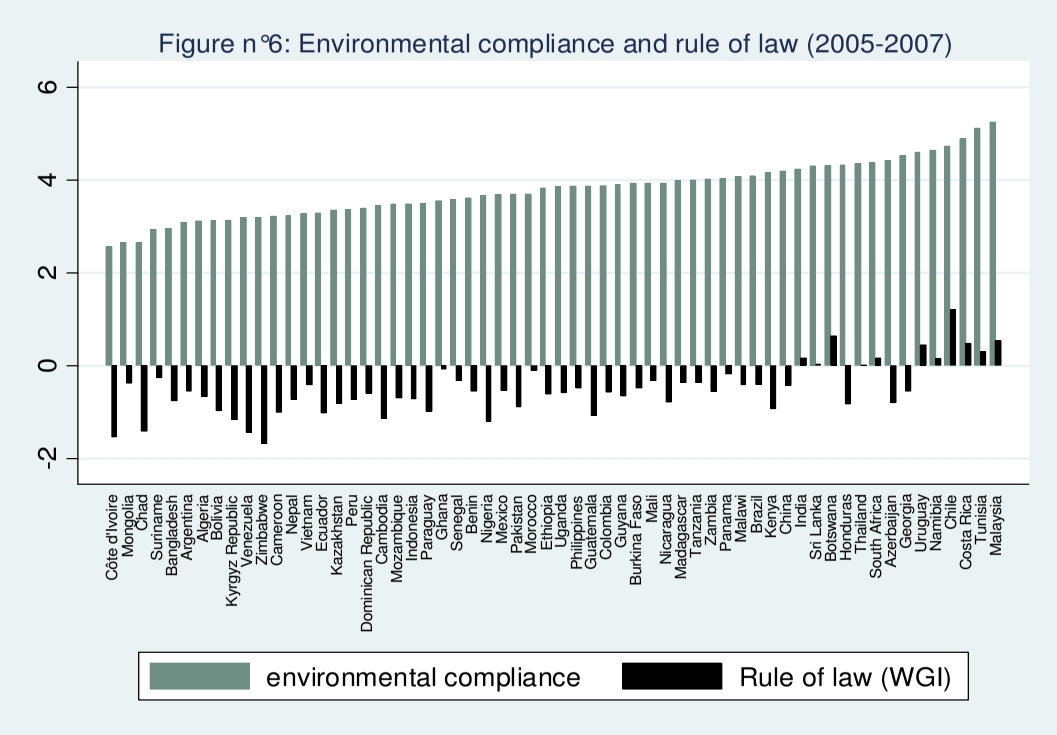
If λ tends to zero, $W_H H_e + W_e < 0$ and the sign of $\bar{e}^{*}_{\beta}$ is negative (the numerator is positive). If λ tends to 1, the sign of $W_H H_e + W_e$ depends on the level of f_v^H. In the case where the firm is compliant, f_v^H will be nil and the sign of $W_H H_e + W_e$ will be negative as well as the sign of $\bar{e}^{*}_{\beta}$.

Proposition 1

Proof. Given that from result 1, the effect of non-compliance β on $\bar{e}^{*}$ is conditioned on the level of judicial efficiency λ, and that from result 2 the effect of judicial efficiency λ on $\bar{e}^{*}$ is negative, we have Proposition 1.

Annex 2: Ranking countries in terms of deforestation, environmental compliance and rule of law.





Annex n° 3: Descriptive statistics

Statistics	Deforestation	Environmental compliance	Rule of law	Total aid, all donors (USD million)	Total aid, multilateral (USD million)	Total aid, bilateral (USD million)	Environment aid, multilateral (USD million)	Envir. aid, bilateral (USD million)	Envir. aid, all donors (USD million)	Forestry aid, multilateral (USD million)	Forestry aid, bilateral (USD million)
Obs	60	60	60	60	59	60	60	60	60	40	60
min	-.023862	2.566949	-1.693372	12.9375	.55	10.082	.1393577	.2371821	.3566317	.001885	.012251
max	.0376724	5.249145	1.213068	1602.302	802.034	1407.897	48.30838	188.9793	214.8303	15.7256	79.7282
mean	.0052948	3.78019	-.5129518	483.5984	164.0743	322.9986	4.129747	13.5797	17.68235	1.934263	4.011667
sd	.010678	.5978544	.5575545	439.5503	187.3977	301.7766	7.042667	28.77798	32.17485	2.868622	11.80521
p25	0	3.32552	-.8280918	160.413	21.335	97.324	1.005472	2.663804	4.232767	.3697229	.4163722
p50	.0050289	3.841886	-.5651712	366.3878	111.804	258.027	2.558335	5.401286	7.948371	.783426	1.178931
p75	.0103106	4.173002	-.2901367	607.486	208.75	478.184	4.088356	13.44477	16.92223	2.073912	2.366435

Annex n°3 (continued) : Descriptive statistics

Statistics	Forestry aid, all donors (USD million)	Legal and judicial aid, multilateral (USD million)	Legal and judicial aid, bilateral (USD million)	Legal and judicial aid, all donors (USD million)	Participation and civil society aid, multilateral (USD million)	Participation and civil society aid, bilateral (USD million)	Participation and civil society aid, all donors (USD million)	Forest rent (%GDP)	Rural population (%)	GDP per capita	Population growth
Obs	60	57	59	60	60	60	60	60	60	60	60
min	.012251	.00063	.0311713	.0781456	-.0037224	.0972823	.1168993	0	7.333333	5.220356	-1
max	84.41983	9.42934	12.98472	16.66273	23.62507	21.52214	45.14721	10.22653	87.33334	8.341992	3
mean	5.094675	1.791488	2.865006	4.170659	2.211303	6.476235	8.531679	1.507564	51.45556	7.018691	1.616667
sd	13.48986	2.090678	3.327539	4.170966	3.584795	5.454248	7.805558	1.816485	21.5749	.7983245	.8804745
p25	.6342646	.1538167	.554108	.9284066	.2933385	1.600326	2.643492	.2291753	35.83333	6.398717	1
p50	1.510615	1.149169	1.19673	2.325107	1.016747	6.078833	7.328478	.8279925	51.83333	6.987896	1.666667
p75	3.851281	2.756016	4.563603	7.435943	2.545928	10.21026	11.96401	2.029311	70	7.719819	2

Annex 4: List of countries

Central and South America										
Argentina	Bolivia	Brazil	Chile	Colombia	Peru	Venezuela				
Costa Rica	Dominican --Republic	Ecuador	Guatemala	Guyana	Uruguay					
Honduras	Mexico	Nicaragua	Panama	Paraguay	Suriname					
Africa										
Algeria	Botswana	Burkina Faso	Cameroon	Ivory Coast	Mali	Morocco	Mozambique	South Africa	Tunisia	Zambia
Ethiopia	Ghana	Kenya	Madagascar	Malawi	Namibia	Nigeria	Senegal	Tanzania	Uganda	Zimbabwe
Asia										
Azerbaijan	Bangladesh	China	India	Indonesia	Sri Lanka	Thailand	Turkey			
Kazakhstan	Kyrgyz Republic	Malaysia	Pakistan	Philippines	Vietnam					

Annex 5: Data Sources

Name	Variable description	Source
Dependent variable Deforestation	The deforestation rate between 2005 and 2007 (minus the dierence in logarithms of forest area, expressed in thousands of hectares, when forest area is strictly positive).	FAOSTAT
Explanatory variables		
Compliance	A created variable from data provided by the World Economic Forum (WEF) (see table 5.6).	WEF
Rule of law	The Rule of Law index scaled 0-6: a lower score associated with fewer rule of law	WGI
Aid disbursement	Global or sectoral net official development aid disbursements.	OECD/DAC
Lag deforestation	Initial Forest Areas: Log forested areas in 2000.	FAO
GDP	Log GDP per capita, ppp (2005-2007).	WDI
Foreest rent	Forest rents (% of GDP)	WDI
Pop. Growth	Annual population growth rate (percent) (2005-2007).	WDI
Rural	Rural population in percent of total population (2005-2007).	WDI
Latitude	Measure of the distance from the equator, i.e., latitude (0 to 1, 0 is the equator).	Laporta et al (1999)
Legal origins	Legal origins on law and regulation, i.e., common law, French civil law and Socialist law.	Laporta et al (2007)
Instrumental Variables		
Environ. Education	The extent of environmental concerns for basic, secondary and tertiary education as well as for research and development (from 1 (low) to 10 (high), 2006).	Bertelsmann Transformation Index
Civic Liberties	Freedoms of expression and belief, associational and organizational rights, rule of law, and personal autonomy without interference from the state (1: most free to 7: least free, 2005).	Freedom House
Constitutional Changes	The number of basic alterations in a state's constitutional structure.	Arthur S.Banks
Aid dependency	Total aid in % of GDP of a recipient country	OECD and WDI
Variables used to create the index of compliance		
Corporate Ethics	How would you compare the corporate ethics (ethical behavior in interactions with public officials, politicians, and other enterprises) of firms in your country with those of other countries in the world? (1 = among the worst in the world; 7 = among the best in the world) (2008-2009) weighted average	GCR, WEF
Burdensome to comply	How burdensome is it for businesses in your country to comply with governmental administrative requirements (e.g., permits, regulations, reporting)? (1 = extremely burdensome; 7 = not burdensome at all) (2008-2009) weighted average	GCR,WEF
Stringency of Environmental Regulation	How stringent is your country's environmental regulation? (1 = lax compared with most countries, among the world's most stringent) (2007-2008). Global Competitiveness Report, World Economic Forum (WEF); T-T: Tourism and Trade Report, World Economic Forum.	T-T, WEF

General Conclusion and Policy Implications

The genesis and evolution of the governance doctrine in the agendas of IOs are intimately linked to changes affecting the world political and economic system. The current world system is characterized by growing interdependencies of states favored by the phenomenon of globalization. In such a situation, IOs are assumed to play an important role in establishing better international cooperation and greater stability. The institutional framework of IOs is primarily a place of socialization of states. Indeed, their production and institutionalization of norms, notably those of good governance, aim at changing and influencing the behavior of states and private transnational actors. They are likely to fulfill this goal by legitimizing certain practices and delegitimizing others. This process, based on an accommodation, seeks to mobilize together public and private actors in order to achieve collective goals. Under the principle of subsidiarity, the relationship between national and global governance is based on the need to solve the problem of collective action in terms of provision of international public goods. Private flows of goods, services, ideas and communication technologies between states would become too large to be contained and regulated by national public authorities. The internationalization of production and the establishment of a global civil society are not likely to lead to a system of global governance that replaces the state, but rather it is generating a reorganization of its role as a regulator of domestic requirements of a globalized economy. These requirements are commonly defined by heterogeneous international actors. In this process, developing countries remain, above all, norms-takers as it was the case of good governance prescribed by some IOs.

In the first part of this dissertation, we have analyzed the governance doctrine following historical and interdisciplinary approaches. We have also taken the case of the World Bank to study the current global dissemination of the governance doctrine. From the Antiquity to modern debates, we have proposed to conceive the governance doctrine through the ontology of exercise of political and economic power in complex contexts. To some extent, since Antiquity, the main concern in the governance debate remains the identification of the characteristics of the best

political regime. Put differently, the issue is about the maximization and even the trade-off between efficiency and legitimacy of political regimes. Enlightenment approaches of liberal political legitimacy proposed to figure out these dilemmas through some principles of the social contract, equality, freedom and human reason rather than adopting Machiavelli's approach based on absolute sovereignty. Machiavelli's approach cannot prevent moral dilemmas in political power since it advocated the idea that, in a well-organized government, the State must be rich and citizens poor. In this Renaissance era, the economic system underpinning this absolute sovereignty system was Mercantilism opposed to the Physiocracy supported by the humanist and utopian approach developed by Thomas More. Unlike Machiavelli, Thomas More defended the ideas that the primary function of a ruler is to deal with the misery of its citizens by allowing them to move out of it.

Besides, the key shift since the Hobessian approach built on the "reason of state" remains a rise in population. This rise in populations entails new problems in terms of political, legal and public accountability where subordinates exercise their discretion and are supposed to be able to punish rulers abusing their power under a rule of law. Yet, some difficulties remain to be solved in order to avoid abuses of power in a context of balance between equality and freedom. A part of the inheritance of these Enlightenment approaches is the hegemony of what was "proclaimed" as being liberal universal values from which emerged the current conceptions of the governance doctrine in its local, corporate, national and global dimensions. The universalist approach of governance norms comes from the strand of thinking which seek to prescribe global uniform standards of political and economic behaviors which are assumed to follow the "laws of nature". Yet, understanding changes over time in some modes of regulatory governance necessitate assuming that they are not natural since they are likely to result from technological progress, balances of power and specific institutional structure. The disciplinary confrontation in the governance doctrine is somehow related to the relative conflict between its economic and political dimensions. This conflict is expressed in terms of efficiency versus legitimacy in a context of illusion that technical solutions are able to figure out all political issues. In fact, an exclusive

economic conception of governance is misleading because it fails to capture the essence of policy making in the political arena, that is to say the struggle over ideas and public policy-making in a context of scarce resources allocation, heterogeneity of preferences and power imbalances. Consequently, the IPE framework, adopted in this dissertation, was guided by the necessity to deal with these shortcomings resulting from a weak interdisciplinary dialogue. About that, among economists that have advocated this dialogue, Chavagneux (2001) quoted Alfred Marshall who stressed that "specialists who never look beyond their own field are not inclined to see things in their true proportions". He also made reference to Maurice Allais who reminded that the greatest progress has been historically made when bridges have been built between the different disciplines.

At the operational level, the World Bank has played an important role in the diffusion of this doctrine by conceiving it normatively in terms of "good governance" prescribed to predatory and inefficient governments in poor countries. Even though, its mandate does not allow talking about politics in member countries, the World Bank was progressively constrained to find strategies to incorporate into its policies the blatant political aspect of governance. Indeed, the logic of governance implies to recognize that decisions are no longer the product of a debate or deliberation. They are rather the result of negotiations, bargaining and bartering between different parties likely to be in a horizontal position even if, sometimes, the reality of power relations leads to confrontations that bypass negotiations. The relative powerlessness of public administrations to achieve goals set by political decisions appears as a rationale of the process of integration of new actors in the public decision-making framework. Thus, government and administrative bodies have to share their monopoly of legitimate public power. The multiplicity, heterogeneity, horizontality, informality and autonomy of governance actors affect the sovereignty of states and their input and output legitimacy in the process of production of governance norms which, often, are not mandatory. Since, these new actors, such as those coming from the civil society and the private sector, are not in a vertical or hierarchical posture, theirs interactions with state apparatus matter for negotiation. The empowerment of extra-administrative actors is supposed to improve public decisions, especially the

efficiency of public service delivery. However, as in any situation of complex structures of decision-making, the issue of accountability becomes more problematic. The multiplicity of actors raises the problem of transparency and imputation in the case of underperformance. Consequently, the advent of governance, through the association of new actors, can be viewed as a new way for politicians and bureaucrats to escape from their responsibility for potential shortcomings such as insufficient public services. This is possible given that the implementation of governance principles cause a dilution and distribution of actors' responsibility. The end of the welfare state is accompanied by this openness of the state to other actors. Thus, the promotion of Public-Private Partnerships by IOs appeared as a way for the state to stimulate the private sector to fill the gap in the supply of public goods. Most IOs have opted for the individualistic approach of the state developed specially by the Public Choice School in terms of the theory of political market, economic theory of bureaucracy and the theory of "rent seeking". Accordingly they prefer an imperfect market to the excesses of public interventions. Thus, separating the state from the private sector accumulation can contribute to set out a separate economic sphere required, in turn, to enforce government accountability. With the governance doctrine, conventional technocratic approaches, aiming at making a choice between market and public interventions, no longer apply. In this context, the success of governance reforms in developing countries is intrinsically related to the well-functioning of these public-private partnerships.

In another perspective, the World Bank's prescription of governance norms, such as accountability and government effectiveness, become questionable since they fatally raise some issues of legitimacy which are political by nature. Therefore, the success of its implemented policies in developing counties is clearly subject to the extent to which these political aspects of governance are taken into account. Indeed, accountability depends on the extent to which some social norms are shared by rulers, which reinforces their enforcement and compliance. The failures of accountability might deeply impede governments' legitimacy which is expected to lower, in turn, its effectiveness. To some extent, a greater efficiency of governments results from the promotion of voluntary compliance with laws and regulations rather

than from a reliance on coercion, threats, fear, and personal loyalties. The degree of institutional strength of states matters much more in the adoption of good governance norms since weak and fragile states have their survival as primary purpose.

Besides, with the collapse of the communism, the universal values of liberalism were supposed to spread worldwide, allowing unity of both political and economic governance aspects. Thus, within the World Bank, a long term evolution, covering three decades, underlies the governance indicators that it has elaborated. These indicators focused first on economic aspects (CPIA, Doing Business), and later embraced the political dimension of the social liberal contract (WGI). Moreover, the Bank's message on governance circulated in academic areas, suggesting a deliberate search for a qualitative effect, using knowledge production as an effective channel to strengthen the influence of the organization. In shaping the concept of "good" governance, the Bank combined both *soft* and *hard* power. Soft power comes from the Bank's ability to develop the attractiveness of liberal society values and its concomitant welfare implications; to keep developing countries open to the process of integration into the world economy; and to promote poverty reduction strategies as a top priority. In order to achieve its slogan "our dream, a world free of poverty", the Bank's soft power is required to manage world's diversity; to keep partners on board; and to maintain relationships with all the stakeholders including NGOs, and international civil society at large. But, hard power also matters through the performance-based financial system which links aid to the "good" governance objectives as measured, by the CPIA or the WGI. The relationship between the three World Bank indicators and the new aid commitments of some of the most important donors has been tested on donor-based cross-sectional relationships. Hence, most of the regressions we run did not reject significant correlations, in accordance with what donors recognize, including when the regression model controls for a vector of structural determinants of aid allocation. The CPIA proves to be closely correlated with aid from both the Bank and the regional multilateral banks. Former colonial countries such as France, and to a lesser extent the UK, seem to pay less attention to the governance issue due to geostrategic reasons. Strategic considerations also apply

for the USA aid except its aid channeled through the Millennium Challenge Account which explicitly uses some of the World Bank's governance indicators for its recipient eligibility. However, the current governance doctrine promoted by multilateral organizations is criticized by some actors thinking that this serves as an engine to the neoliberal doctrine which involves, to some extent, a privatization of politics and weak considerations of social and human dimensions of sustainable development. This debate raises the question of how to take into account ethics and equity in the governance concept.

The second part of this thesis has proposed some answers to these issues. We have provided an analysis on some social and environmental dimensions of good governance in the agenda of IOs. In doing so, this part has highlighted some challenges to be tackled by these IOs in their process to govern a sustainable development in developing countries. Thus, it has proposed a framework to evaluate the effectiveness of social governance policies promoted by IOs. It has also investigated, empirically, the effects of multilateral aid on income inequalities and recipient governments' social expenditures. From this analysis, it emerges the fact that many IOs have mostly advocated liberal approaches to handle income inequalities, notably those based on the principle of equity in terms of equal opportunities. In addition, we have used the argument of the Samaritan dilemma to explain the trade-off between the efficiency and equity of foreign aid. This trade-off was at the origin of the good governance doctrine in IOs' agenda. Indeed, aid delegation to multilateral institutions is analyzed as a strategy to cope with the Samaritan dilemma that affects bilateral donor governments. Furthermore, the econometric results are supporting the assumption according to which, in recipient countries having good governance institutions, multilateral aid is likely to be useful for social development and income inequality reduction.

Managing the aftermath of the current global economic downturn will require taking into account the social dimension of governance both at the global and local level. In the same perspective, governing the environmental dimensions of sustainable development necessitates that national and international actors become fully aware

of the interactions between supply and demand sides of governance. Thus, we have analyzed the theoretical and empirical links between environmental compliance, corruption and deforestation in developing countries. The results suggests that IOs have to give more considerations, in addition to their policies in the supply side, to the demand side of governance by promoting stakeholders' compliance and enhancing their capacity to claim government's accountability. We have developed a principal--agent model highlighting our argument according to which the supply side of good governance is necessary but not sufficient to achieve sustainable environmental policies. Indeed, the demand for good governance appeared to be a substitute of low supply for good governance and a complement of high supply of it. The econometric investigations have also supported this theoretical result by showing a non-substitutability between low environmental compliance and high quality of rule of law. Moreover, the aid activity of IOs in environmental and forestry sectors is found to be more efficient in recipient countries where both environmental compliance and rule of law is strong.

The findings call for a better targetting of social and environmental governance in IOs' agenda, especially a promotion of equity, compliance and accountability which are key determinants of a sustainable change in developing countries. In this connection, some challenges remain to be overcome by developing countries and the international community in terms of implementing reforms enabling to tackle political and institutional imperfections. Yet, the appetency to conceive governance widely in terms of "institutions", does not provide guidance for feasible governance reforms in developing countries. The core issue is to understand the causes of problems of governance. They are complex and affect domestic, international, historical, economic, political and social processes. What interests, rationality, political and economic environment encourage governments, civil servants and civil society to engage in bad governance? At domestic level, certainly the weakness of rules, institutions, credibility, legitimacy and sanctions lead to political and economic traps with generalized corruption. For instance, moving out of bad governance trap will require some reforms in order to reduce political market distortions caused by information problems that undermine citizens' ability to request accountability from

public officials. In turn, a lack of accountability is likely to favor citizens' noncompliance with regulatory norms. Therefore, further researches should investigate the extent to which IOs can promote the role of the media, new ICT and civil society organizations in order to mitigate information asymmetries between ruled and rulers. By this way, citizens will be able to make comparisons with progresses made in other world localities, which will boost their motivation to demand good governance since they will no longer view underdevelopment as a fatality.

At international level, donors have been, to some extent, a part of the problem since they have continued to provide aid to predatory governments and accepting to postpone governance reforms for some reasons of international politics and selfish interests. In this context, IOs should have a further role consisting in convincing powerful states to comply with some international agreements, such as the OECD convention on combating corruption in international transactions and the Stolen Asset Recovery initiative (STAR) launched by the World Bank and the United Nations Office on Drugs and Crime (UNODC).

This thesis has shown that development is not a pure economic matter but rather fundamentally a political struggle over power, ideas, norms and values with some overlappings of stakeholders from local, national to global levels. In this struggle, global governance regulators, notably IOs, should work to empower the most disadvantaged stakeholders and promote fairness in the current globalization. Indeed, after the global financial crisis of 2007, even the role of IOs is changing as emerging powers are claiming a reordering of the actual world system. Better global governance mechanisms such as those allowing a wider group of countries to shape the agenda of IOs are desired. The emergence of the Group of Twenty (G20) is reflecting, to a lesser extent, this change. Finally, in a perspective of sustainability of governance reforms and development process, this interdisciplinary thesis has brought its contribution by showing that IOs should move beyond the economic dimensions of governance towards a more holistic approach that take into account its political, social and environmental aspects. Therefore, it suggests to the agenda of

these IOs a greater consideration to political economy approaches that value equally supply and demand sides factors of good governance reforms in developing countries. A more comprehensive cooperation, based on ethics, equity and accountability, between ruled and rulers from local to global scales, will remain, for long, at the heart of the art of a sustainable governance.

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Résumé

Cette thèse transdisciplinaire en économie et science politique étudie les divers aspects de la doctrine de la gouvernance dans les agendas des institutions et organisations internationales (OIs) en adoptant les outils de l'Economie Politique Internationale. La première partie mobilise deux chapitres pour analyser la doctrine de la gouvernance dans sa genèse, conceptualisation, diffusion et appropriation dans la communauté du développement international. Le chapitre 1 montre que les approches contemporaines de la gouvernance rompent avec les approches traditionnelles sur la légitimité politique et l'efficience économique en prenant en compte l'hybridité, l'hétérogénéité et la multiplicité des acteurs et des centres de décisions. Le chapitre 2 apporte sa contribution au débat sur la diffusion des idées et normes dans la sphère des politiques de développement en prenant l'exemple de la Banque Mondiale à travers son agenda sur les normes de gouvernance. Ce chapitre montre que la Banque Mondiale a eu différents comportements vis-à-vis de la doctrine de la gouvernance, en évoluant d'une approche économique vers une approche sociopolitique dans une optique néolibérale. Ce chapitre montre que la combinaison du pouvoir d'influence et d'injonction de la Banque Mondiale lui a permis d'utiliser ses indicateurs de gouvernance comme un moyen d'influence de sa politique d'aide au développement de même que celles des autres principaux donneurs. A travers deux chapitres, la seconde partie effectue une investigation dans les dimensions sociales et environnementales de la gouvernance dans une perspective de développement durable dans les pays en développement. Ainsi, le chapitre 3 examine les politiques de gouvernance sociale des OIs et vise à saisir les effets de l'aide multilatérale sur les inégalités de revenu et la protection sociale dans les pays en développement. Il montre que cette aide a des effets bénéfiques uniquement dans les pays ayant une bonne qualité institutionnelle. Enfin le chapitre 4 propose un modèle de principal-agent illustrant des interactions d'économie politique entre l'offre et la demande de bonne gouvernance dans le cas du civisme environnemental, de la corruption et de la déforestation dans les pays en développement. Il trouve que l'aide multilatérale destinée au secteur forestier est plus efficace dans la réduction de la déforestation dans les pays ayant à la fois un meilleur civisme environnemental et un état de droit.

Abstract

This interdisciplinary thesis in economics and political science analyzes the multidimensional aspects of the governance doctrine in the agendas of multilateral and International Organizations (IOs) by adopting the framework of International Political Economy (IPE). The first part uses two chapters to analyze the doctrine of governance in its genesis, conceptualization, diffusion and appropriation in the international development community. Chapter 1 found that current approaches of governance break with traditional approaches of political legitimacy and economic efficiency by taking into account the hybridity, heterogeneity and multiplicity of stakeholders in decision-making. Chapter 2 brings its contribution to the debate on ideas and norms diffusion in development policies scene by taking the example of the World Bank and its agenda on governance norms. We show that the World Bank has developed different behaviors vis-à-vis the governance doctrine, moving from economic to political and social approaches through a neoliberal framework. The World Bank's smart power, based on its governance indicators, has been found to exert some notable influences on its foreign development assistance policies as well as those of the other key aid actors. Through two chapters, the second part investigates about social and environmental dimensions of governance in a perspective of sustainable development in developing countries. Chapter 3 studies the behaviors of IOs in terms of social governance. Its empirical investigations, on the effects of multilateral aid on income inequalities and social protection in developing countries, show that aid has beneficial effects only in recipient countries presenting good governance policies. Ultimately, chapter 4 proposes a principal-agent model highlighting some political economy interactions between supply and demand sides for good governance in the case of environmental compliance, corruption and deforestation in developing countries. This chapter shows empirically that multilateral aid, to the forestry sector, is more effective in reducing deforestation in countries presenting both a better environmental compliance and rule of law.