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Governance - Introduction

In Short:

The term 'governance' describes the process whereby elements in society (institutions and civil society) wield power and authority and influence and enact policies and decisions concerning public life and economic and social development. At the heart of the concept of governance is the construction of effective, accountable and legitimate governing arrangements within the diverse institutional setting of the public, private and voluntary sectors.

Policy Summary

Background:

Governance in political science and public administration

"Governance" as a political concept has been treated by academics in the fields of political science and public administration since the 1960s. These academics pose fundamental questions about the legitimacy and effectiveness of a political system: Does it effectively solve the problems that modern political systems are to solve? How democratic are its decision-making procedures? How democratic and inclusive can they be? The literature often takes a normative approach to assess the capacity and ability of different levels of government -- local, regional, national, supranational -- to govern effectively and democratically.

European governance

When taking office in 1999, Commission President Romano Prodi drew attention to the need for fundamental reform of the EU decision-making process and the way that the EU institutions function. "Promoting new forms of European governance" was made one of the four strategic priorities of the Prodi Commission at the beginning of 2000. The 2001 White Paper on European Governance and its ensuing action plans involve the Parliament, Council and Commission and Member State governments in improving the way in which legislation and policies are prepared and implemented under the existing EU treaties. These efforts will complement the phase of institutional reform under consideration at the Convention on the Future of the European Union to culminate at the Intergovernmental Conference of 2004.

Corporate governance

Rules and norms of corporate governance are considered to be important elements of the regulatory framework for successful market economies. Although corporate governance can be defined in a variety of ways, it generally refers to the mechanisms by which a business enterprise, organised in a limited liability corporate form, is directed and controlled. It usually concerns mechanisms by which corporate managers are held accountable for corporate conduct and performance. Over the past decade, interest in the role corporate governance plays in economies has increased, driven by factors such as the freer flow of capital, the growth and diffusion of shareholding, the increased merger activity among large corporations and the competitive pressures of globalisation. Recent business and accounting scandals, such as Enron and Worldcom, have accelerated national and international initiatives to strengthen corporate governance regulation and enforcement.

Prompted by the Enron collapse, the EU corporate governance debate focuses on the appropriate structure of relationships between shareholders, rights and equitable treatment of shareholders, disclosure and transparency,

the duties of board members, and professional management. Until recently, EU policy in the area of corporate governance has been mainly to coordinate the safeguards which, for the protection of the interests, are required by Member States of companies and firms with a view to making such safeguards equivalent. Currently, Commission and Council are considering proposals for the active coordination of the corporate governance efforts of Member States through their company laws, securities laws, listing rules, codes of practice.

Good governance in the development sphere

The term 'governance' became commonly used in the 1990s by international organisations, such as the United Nations, the World Bank, and the International Monetary Fund. With the recognition of the importance of "good governance" for macroeconomic growth and stability, the IMF and the World Bank even expanded the conditionality they apply to borrowing members to conditions on domestic governance and the institutional framework of economic policy-making. Then in 1995, the establishment of the World Trade Organization created a new set of binding commitments on member states which extend into many areas of domestic legislation.

International financial institutions provide advice and technical assistance programmes to promote good governance and curb corruption in their client countries. The work includes development and promotion of codes and standards of good practices, transparency and accountability and public resource management. In EU Development Policy, good governance and the rule of law are seen as decisive in strategies to reduce poverty. EU Development Policy programmes work to strengthen partner countries' institutional capacities, including the capacity of the government to effectively manage public resources, to implement sound policies and to control corruption. EU Partnership Agreements and European Development Funds (EDF) proposals include 'good governance' - alongside human rights, democracy and the rule of law - as an essential. If good governance criteria are deemed to be breached, agreements and funding can be suspended.

Global governance

Governance on global policy issues beyond the EU's borders affects not only the rest of the world but has an important influence on the EU's own security, its citizens' well-being, its environment, its export markets, its access to goods and raw materials. The EU and its citizens thus have an interest in influencing and improving governance beyond the EU's borders. Within the White Paper on European Governance and in other communications, the Commission has raised the question of the European/EU experience can benefit models of global governance. It is argued that the "Community model of decision-making" and the new modes of governance being introduced can inform the debate on policy-making on global problems, e.g., of how to involve stakeholders from civil society, private business, and the media in decision making.

The White Paper on European Governance commits the EU to apply the principles of good governance to its global responsibilities and to uphold the objective of increasing the effectiveness and enforcement powers of international institutions. The Commission specifically proposes to: improve the dialogue with governmental and non-governmental actors of third countries in developing policy proposals with an international dimension; to conduct a review of the EU's international representation in order to allow it to speak more often with a single voice.

Links

- European Union: Governance in the EU
- European Union: Futurum: The Future of Europe Debate - Governance White Paper
- European Integration online Papers (EIoP), B. Eberlein and D. Kerwer: Theorising the New Modes of European Union Governance (2002)
- European Integration online Papers (EIoP), L. Hooghe and G. Marks: Types of Multi-Level Governance (2001)
- European Integration online Papers (EIoP), M. Jachtenfuchs: Democracy and Governance in the European Union (1996)
- Canadian International Development Agency: Redefining the Concept of Government (1997)
- International Institute of Administrative Sciences: Governance - a working definition (1996)
- EUFORIC: Good Governance, a useful concept for development (1995)

International Organisations

- UNESCO: MOST: Globalisation and Governance
- European International Policy Forum/World Bank/The European Policy Centre: Good Governance and Anti-

Corruption Seminar Report (July 2001)

- World Bank: Governance & Anti-Corruption Program
- World Bank: Corporate Governance Forum
- United Nations: Democratic Governance Development Programme
- International Monetary Fund: IMF's role in Good Governance
- OECD: Public Governance and Management

NGOs

- Advanced Research on the Europeanisation of the Nation-State (ARENA), E.O.Eriksen and J.E.Fossum: Europe at a Crossroads: Government or Transnational Governance? (December 2002)
- Transparency International: Corruption Fighter's Tool Book
- International Corporate Governance Network (ICGN): website
- European Corporate Governance Institute: website
- European Institute of Business Administration (INSEAD) and partners: Corporate Governance, Innovation and Economic Performance in the EU
- Centre for European Reform: Closing the delivery deficit: the future of economic governance in the EU (May 2002)

☒ Feed-back to section coordinator

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