



This book contains the inaugural lectures of prof. dr. Johan Wempe and prof. dr. Michel van Hulsten as well as reflections on these lectures by prof. dr. Jan Pronk.

Johan Wempe and Michel van Hulsten hold the positions of joint-chair of Governance for one of the Saxion University of Applied Sciences knowledge centres. The Saxion knowledge centres provide professors with opportunities for both personal and co-operative multidisciplinary research.

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Corruption, development cooperation and governance

Michel van Hulsten & Johan Wempe

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Corruption is widespread throughout the world. The latest published figure from a reliable source stems from a World Bank estimate² in 2004 by Daniel Kaufmann and puts the extent of annual worldwide transactions tainted by corruption as close to US\$1 trillion. Given the estimated size of

the world economy at that time of just over US\$33 trillion, (i.e. 33 with twelve zeroes or 33,000,000,000,000), this suggests that 3% of all transactions are in some way corrupt.

Assuming that this 3% is proportionally shared among all the economies in the world, an estimate that probably becomes increasingly realistic as payers and payees become part of a global economy operating in several continents, then the Sub-Saharan African (SSA) economy which represents some 2% of the world total (mainly thanks to South Africa and the oil industry) will be involved in 2% of the world bribes, that is US\$20 billion (20,000,000,000).

I do not hesitate, and in so doing join many other observers and students of economic behaviour in Africa, in calling this a

fabulous amount and a disaster for Africa. I agree with all those who say that this has to be eradicated if we want Africa to develop economically like the rest of the world. However, although this is high in costs and a disaster for development in Africa, the following questions can be posed:

- Is the African economy large enough to justify Africa being perceived as the most corrupt part of the world?
- How can Cameroon, representing only a tiny segment of Africa and the African economy, be perceived by many observers as the most corrupt nation on earth?

Research questions

1. Can we trust the observations of the respondents in the corruption research that has been carried out and which suggests that Africa in general, and Cameroon in particular, suffer far greater corruption in comparison to other continents and countries?

Can we trust the validity of the data and/or the methodology and techniques used in the research that has labelled Cameroon as the most corrupt nation on earth in the yearly

reports by Transparency International (TI)³ and Professor Lambsdorff⁴? Does it matter who the respondents/observers are in this research, and on what experiences their qualification and quantification of world corruption are based?

In my view, there is much wrong with the generally accepted answers to these questions, as there is much wrong with the research that ultimately produces the annual Corruption Perceptions Indices (CPIs) and rankings as published by TI.

2. This brings me to my second thesis, already alluded to in the title of my lecture, which is that declaring a country as heavily corrupt is not only an observed result, but also a cause of corruption for its nationals.

For years, the words 'self-fulfilling prophecies' have become known to practically everybody researching societal phenomena. If you think you can do, you do. A consequence of this observation is that once the world declares a country, or a trade, or a profession, as highly corrupt, then those in the group will increasingly demonstrate the despised behaviour.

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² Daniel Kaufmann, Director of Governance, first reported these findings (based on 2001-2002 economic data) in a press message by the World Bank Institute on April 8, 2004 (See: <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20190187~menuPK:34457~pagePK:34370~piPK:34424~theSitePK:4607,00.html>) and later in GCR, Chapter 2.1, *Myths and Realities of Governance and Corruption*: '[.....] bearing (such) serious caveats in mind, an estimate [his estimate, MVH] of the extent of annual worldwide transactions that are tainted by corruption puts it close to US\$1 trillion. The margin of error of this estimate being obviously large, it may well be as low as US\$600 billion; or, at the other extreme of the spectrum, it could well exceed US\$1.5 trillion'. He then adds more explanation in his Footnote 6 referring to the Appendix: *The US\$1 trillion estimate of worldwide bribery: Synthesis of the approach* (p. 96). In this appendix he concludes 'that this rough estimate of around US\$1 trillion did not include the extent of corrupt leakages from public budgets or theft of public assets – or other forms of corruption, such as nepotism – since the focus was on estimating bribery transactions'. In the same appendix, he also refers to a later study about Russia (2005) that 'would hint at a vastly larger estimate of worldwide corruption [.....] that may vastly exceed an annual figure of US\$1 trillion'.

³ Transparency International (TI) is a global civil society organisation leading the fight against corruption, Secretariat Transparency International (TI), Alt Moabit 96, 10559 Berlin, Germany. Phone: +49-30-34 38 20-0/ Fax: +49-30-34 70 39 12

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Exactly the opposite of the TI argument that it is the reality of corruption that makes a country look corrupt. No, the 'look' of a country (if you prefer, insert other words like 'image' or 'perception') creates the understandable feeling among those in powerful political and business positions, (and among the population in general) that if the whole world has declared that 'you are utterly corrupt', why should you not join the crowd and 'benefit'?

I will first develop answers to my first question which relates to the improbability that the Sub-Saharan African economy, with less than 2% of the world's GDP⁶, could be the most corrupt part of the world. In absolute terms this is impossible, the size of the SSA economy is too small for that absolute qualification. Much more corrupt money moves around the financial and business markets in the USA, Europe, Japan and other rich countries.

For years I have been interested in this phenomenon. Given the enormous amounts involved in the greatest part of the global economy, namely in the North, casting the South as the most corrupt part of the world seemed somewhat illogical. My interest grew as the World Bank regularly increased its estimates of worldwide corruption.

About 1995 the volume of corruption, as estimated by the Bank, stood at US\$50 billion, by 2000 this had gone up to US\$400 billion, and in 2005 it reached the US\$1 trillion mark. This twentyfold increase in the published figure over ten years does

not automatically mean that corruption grew twenty times. The explanation could be that we have become better in defining and observing the facts, and that more financial and business transactions which were once seen as legitimate are now being recognised as corrupt.

It is interesting that this growth in the total of corrupt payments has not had any significant influence on the ranking of countries in the Corruption Perceptions Indices published since 1995. This cannot be right unless the growing scale of observed or noted corruption is equally spread over all countries: everywhere exactly the same improvements in administration? This seems highly unlikely.

I was also interested because representatives of the business world in both the North and the South were never shy in saying that you need to be corrupt as others, or they will take your place in the market. Those others will capture 'your' orders, you will lose 'your' trade and 'my' labour force will lose their jobs. They even claim to be worried about Ministers

⁵ See www.corruptie.org for the full story in *Ten Years of Corruption (Perceptions) Indices, Methods – Results – What next? An analysis*, by Michel van Hulst, 31 Jan. 2007, ISBN 978-90-811048-2-1.

⁶ *World Development Indicators database*, World Bank, 11 April 2008, Data and Statistics, quick reference tables: World total GDP: US\$48,461 billion, of which USA US\$13,163 billion, Euro-zone US\$10,636 billion) and Sub-Saharan Africa US\$712 billion, (1.5%), [USA billion = 1000 million]. The higher figures in the first paragraph of this lecture reflect global economic growth between 2001 and 2008.

of Finance losing their tax incomes. It is rare to find another situation in which the business leaders of the world are so unanimously concerned about protecting jobs and so united in wishing the state not to lose tax income.⁷

As an example from the South, I quote from an unpublished 2008 World Bank study on Cameroon, *The political economy in Cameroon*⁸, dealing with the corruption phenomenon. The authors, Otayek and Nguini, quote Mr Abéga, vice-president of GICAM, saying that 'to win markets, you have to corrupt'.

What is the Corruption Perceptions Index?

Transparency International's *Corruption Perceptions Index* (CPI) scores countries according to the degree that corruption is perceived to exist among their public officials and politicians. Subsequently, this allows TI to give each country a ranking, and this is what all the media concentrate upon, especially if one of the rich countries falls several places, or a poor country climbs rather spectacularly.

The CPI is a composite index, a poll of polls if you like, drawing on corruption-related data from expert and business surveys carried out by a variety of 'independent and reputable' institutions. The CPI reflects views from around the world, including those of experts who are living in the countries evaluated. Later we will see how biased these samples really are.

Definition of corruption

Let us first have a look at the definition of corruption used in the annual CPI reports since 1995. In other words, how is the CPI composite 'corruption' defined, and how is corruption defined in the underlying polls and surveys? In other words, do they all speak the same language?

In earlier years, TI's CPI focused on corruption in the public sector, and defined corruption as the 'abuse of public office for private gain'. After 1997, the word 'public' disappeared and was replaced by 'entrusted'. This is a considerable change as the new TI definition now includes private corruption between (staff members in) enterprises and within and between civil society associations. However, this change has not

been paralleled by similar changes in the underlying polls. Over time and among the polls, corruption is defined differently. This is a problem for a composite index, such as the CPI.

How do those polls define corruption? In other words, are all the polls and all respondents talking about the same phenomenon? Clearly not.

Rarely, will you find a poll with a clearly defined concept of 'corruption'. However, we can overcome this problem by looking at what the various polls ask in their questions and from this deduce what they mean by the term.

A great variety of aspects comes to light:

- improper practices (such as bribery or corruption) in the public sphere,
- the level of corruption,
- spread and amount of corruption in public and private business,
- estimated losses caused by corruption,
- ikelihood of social and illegal payments being demanded by high and low levels of government,
- (average) extent of misuse of public power for private benefits.

The surveys used in compiling the CPI ask questions that vary significantly with regard to the public and private sectors: asking about only one, or both. The questions relate to 'corruption' itself but also to the spread of corruption, estimated losses, variations according to levels of government and the degree of misuse. All these characteristics are very important, but difficult to meld into a single concept of corruption.

One has to conclude that a great variety of concepts are crudely lumped together. It is like a basket full of very different fruits being labelled as apples. This is an important observation, all the more so since, in 2005, Michael Johnston¹⁰ convincingly explained that corruption takes quite different forms in different parts of the world and in different business cultures. Given this, he is also quite cynical about all the efforts telling corrupt regimes to improve their governance in order to get the same quality of 'good governance' as the countries at the top of the TI list. These countries, high on the TI integrity list, he labels "influence markets: influence for rent, decisions for sale"¹¹. He sees these countries as also corrupt, just in a different way to the African form of this 'business disease'.

⁷ In my book *Corruptie, onbekend onbemand, alomtegenwoordig* [Corruption, unknown, unloved, omnipresent, available in Dutch only] I quote several examples in the North.

⁸ René Otayek, director of the 'Centre d'Etude d'Afrique Noire' of the 'Institut d'Etudes Politiques' at Bordeaux, and Mathias Nguini, Professor of Political Sciences at the University of Yaounde II, World Bank consultants, *L'économie politique de la corruption et de la lutte anticorruption au Cameroun* (2008, 44): "pour gagner des marchés, il faut corrompre". This publication has been withdrawn by the World Bank.

⁹ GICAM – Groupement Inter-patronal du Cameroun, an association with about 280 members, enterprises and professional organisations, is dedicated to fighting corruption in the private sector and has developed an 'Ethics Code' signed and respected by the members.

¹⁰ Michael Johnston, *Syndromes of Corruption: Wealth, Power, and Democracy*, XIII and p 267. Cambridge University Press, 2005, ISBN-13 978-0-521-85334-7 hardback and 61859-5 paperback, and ISBN-10 0-521-85334-6 hardback/ 61859-2 paperback. For further information, see www.cambridge.org/9780521618595.

¹¹ Johnston (ibid. p. 60). He elaborates (pp. 63-85) on the cases of the USA, Germany and Japan. "... More respondents said elected officials in Washington are influenced by pressure from contributors (77%) than by the best interests of the country (19%)..."

Choice and number of surveys

Let us go one step further. These definitions are used in a great number of research studies that, over the years, have emanated from 24 independent institutions, while the composite indices have made use of 95 different polls and surveys. Some will argue (and TI does) that, because of this large number, a bad survey will be overwhelmed by the good ones. However, how can we know which ones are bad ones? If we did know, would we not be better to eliminate them from the research and conclusions? How do we know that the good ones will correct for the bad ones? Do we even know that there are more good ones than bad ones?

The number of surveys used has risen considerably over time. Between 1995 and 1997 use was made of 7 to 10 sources per year, and between 1998 and 2005 use was made of 12 to 18 sources per year. Has this increased the validity of the outcome? We simply do not know, the number of studies used is not decisive in answering that question.

More worryingly, the underlying surveys and polls appear to have been chosen haphazardly. Or worse, is it to cloud questionable criteria that the TI reports claim that use is made according to 'availability' whereas, in practice, reports which were always available from particular sources were used in some years and not others.

Why this inconsistency?

For Africa, the most interesting illustration is the use made of the *Africa Competitiveness Reports* of 1998, 2000 and 2004 by the World Economic Forum (WEF). The 2000 report was used for the CPI in 2000, 2001 and 2002, but not in 2003 as the methodology adopted by Lambsdorff and TI does not allow a survey to be used for more than three years. However, when the third WEF report on Africa was published in 2004, it was not used in compiling later indices? Why was this source ignored?

The importance of this I like to illustrate by using TI's own words from the 1997 CPI report, "the perception of a country's integrity may also vary with the availability and choice of source". Correct, and I would like to go one step further and be more affirmative: the perception 'will vary' with the availability and choice of sources.

If scores and rankings were based on hard facts, it would not matter what sources were used but, as the polls are based on perceptions, selecting sources becomes very important. It would be better to consistently use the same sources, especially if one is going to draw conclusions based on 'changes' from one year to another. Galtung¹² illustrates this by referring to TI's 2003 CPI press release that states: 'Norway, France and Germany improved

their scores in recent years'. However, as Galtung observes, 'a significant percentage of the upward trend of the scores for these and other countries would be accounted for by the exclusion of PRS – Political Risk Services, used from 1996 till 2000, from the sources'.

The respondents

All surveys rely on people being willing to express their perceptions, otherwise there could be no survey. In many countries, this can be a problem as the powerful who enter into corrupt dealings have reasons to keep their corrupt activities secret. Generally, they are 'not pleased' by unwanted disclosures of corrupt behaviour. They will not be pleased either by insinuations or reflections on their honesty. Thus respondents willing to cooperate in the various surveys may constitute biased samples as they may be from a subset of the population that is not afraid of the dangers arising from disclosing their perceptions, or indeed they may have something to gain by lying.

Those surveyed share certain characteristics that may be important in developing their perceptions of corruption. It is not that they are all white, or all from prosperous northern countries, or all male. What seems to be the case, from reading the reports, is that they are all working at senior and managerial levels in their companies, are

well-educated and fairly well paid experts, expatriates and seniors in their chosen trades. From this, I would conclude that they are probably nearly all men between 25 and 50 years of age. Let me make a further educated guess that most of them have an MBA or similar education.

Statistically speaking, the respondents are not representative of the population in the countries that are being classified, and for which the extent of corruption is being quantified. Where are the women, the consumers, the old, the young, the sick, the poor, the powerless, those that suffer from corruption? Why no trade unionists? Why no investigative journalists? The lack of Arab sources, and the meagre presence of francophone and lusophone sources, is an indication that the CPI is strongly influenced by the anglophone world and lacks true representativeness.

The issue is not, as is stated in the 1997 CPI, that this index is 'less biased against developing countries'. It is that it is biased in several directions and, whatever TI may claim, it is biased in as far as representatives from 'the North' (Europe, USA and Canada, Australia and New Zealand) dominate third world representatives in the samples. The real bias, as I see it, is that those surveyed from the so-called

¹² Quote from Fredrik Galtung's chapter 'Measuring the Immeasurable: Boundaries and Functions of (Macro) Corruption Indices' in Galtung, Fredrik, and Charles Sampford, editors, *Measuring Corruption*, Ashgate (UK), 2006. (see www.tiri.org/docs/boundaries.pdf, excerpt).

rich world very much resemble those from countries in Africa, Asia and South-America. Nearly all of them share the same business education and business world backgrounds. At best, they are the researchers of corruption, at worst they are the ones that corrupt. Should these be the people deciding what the perceptions of corruption are? Moreover, do businessmen really have the ability to judge a country? Is their personal experience not rather limited?

Why is the CPI based only on perceptions?

It is difficult, if not impossible, to assess the overall levels of corruption in a country based on hard empirical data such as the total amount of bribes or the number of prosecutions or court convictions. In the case of court convictions, for example, such comparative data would not reflect actual levels of corruption; rather they would highlight the quality of investigative services, prosecutors and courts and/or the media in exposing corruption. Compiling cross-country data on the basis of experience and perceptions of those who are most directly confronted with the realities of corruption has therefore become the accepted method.

However, since TI began with the CPI reports in 1995, much has changed. We were short of empirical studies in 1995. Since then, hundreds if not thousands of studies have attempted to decipher the corruption enigma. Many more court cases have taken place. More hard statistics have become available. The least we should now be able to do is confront the perception-related 'knowledge' with the albeit limited reality in the field.

Conclusions (Part I)

The shortcomings of the CPI with respect to the qualification and quantification of corruption in the world are so evident that TI would be well served by discontinuing this activity¹³, all the more so because it harms countries (see Parts II and III).

The subject studied, 'corruption', is ill-defined and differently defined in the studies on which the CPI is based. Not all fruits are apples.

The studies on which the CPI is based are not consistently chosen such that comparisons from one year to the next are effectively impossible. Moreover, it seems that the researchers include or cut studies as they see fit.

The respondents are a collection of biased samples from total populations. They are a one-sided selection of mostly well-earning, expatriate, businessmen, mostly Anglophone, male, urban, educated in first-world thinking, with no training in making behavioural observations.

The use of perceptions only, omitting all factual information, was perhaps justifiable at a time when the fight against corruption began to take shape in the early 1990s, but that time is past. We now know much more than we did then. Why do we not make use of all this accumulated knowledge? Would this information prove too uncomfortable for the powerful?

¹³ Fredrik Galtung came to the same conclusion in his contribution to 'Measuring corruption', see footnote 12 above: "... it (the CPI) should no longer be published in its present form as it actually undermines the efforts of reformers." See also *Mirror, mirror on the wall, who's the most corrupt of all?* by John Christensen - Appendix 4 to 'Closing the Floodgates, Collecting Tax to pay for Development.' (World Social Forum, Nairobi, Kenya, January 2007).

Part II. Cameroon

After this more general approach, I will now discuss the case of one country, Cameroon. This is a very special case as it is the only country to qualify as the 'most corrupt' in two successive years (1998 and 1999), coming bottom of the TI Corruption Perceptions Index. This has solidified its position as 'corrupt' forever. The fact that it had 'risen' to 138th out of 179 countries by 2007, with 41 countries therefore being 'more corrupt', goes unnoticed.

Cameroon Today

Le Messager of Friday 25 January 2008, no. 2541, published daily in Cameroon, carried the results of an opinion poll asking a representative sample of 1200 citizens, from five major cities in Cameroon, for their judgement on the government and its fight against corruption. Forty-two per cent considered this to be a joke¹⁴, and nearly all (88%) wanted the government to intensify the battle. Highly educated people were generally the least satisfied. Most respondents had a great interest in the 'stolen' money being returned to the country.

Previously, a more learned study had been published¹⁵ by two professors from the Yaoundé II University jointly with the Director of the Legislation Department of the Ministry of Justice in Yaoundé. They quoted from a study as old as 1998: *In Cameroon, corruption is a normal situation, and integrity an offence*¹⁶.

They came to the conclusion that things were much the same in 2007:

Corruption is a very common practice in Cameroon. For the least service to be rendered in either private or public administration, the official demands something in kind (gifts, sex with regard to women), or money (the most common mean) (see p. 25).

They see the main causes of corruption in Cameroon as 'impunity and low salaries', but also observe that previous forms of administration (with 'antecedents in pre-colonial and colonial socio-political practices') encouraged leaders to claim many types of dues from their subjects. They continue (on p. 26):

Corruption in Cameroon has political causes as well. The political and democratic culture is still evolving. Legal activism to claim rights hardly exists and where it does, it is severely suppressed. The bankruptcy of the democratic process leads to the impunity that benefits the corrupt. In addition, the government does not demonstrate sufficient concern, despite the texts it promulgates, due to blockage by influential politicians.

A recent example of suppression was exposed by the International Federation of Journalists (IFJ) on June 5, 2008, when the IFJ called on the Cameroonian Government to end intimidation of journalists reporting on corruption scandals after at least five journalists and media industry leaders had been interrogated by police in connection with the publication of articles on a defective aircraft bought for President Paul Biya¹⁷.

Is Cameroon still bottom of the class?

Cameroon is currently the focus of my research activities and studies. As I noted earlier, Cameroon became world famous, or should I say notorious, when it received

the dubious honour of being classified as the most corrupt country in the world in 1998 and 1999, measured using the yardstick of Transparency International (TI): the Corruption Perceptions Index (CPI). Already, in Part I, I concluded that, in absolute terms, it is impossible for Cameroon to be the most corrupt country in the world. However, could Cameroon be the most corrupt country in relative terms? Yes, in theory, this is possible. Relatively speaking, in relation only to its own economy, this is of course possible. Based on perceptions, Cameroon could be declared in the Corruption Perceptions Index (CPI) of 1998 and 1999 as the most corrupt of those listed. With rankings of 85th and 99th, it finished as the worst corruption case on earth in both years.

For those who believe in the CPI ranking, I add the comment that I find it remarkable that Cameroon's positions on the list in later years did not attract attention. In 2000 and 2001, a slow improvement could be noted, Cameroon was respectively ranked 84th out of 90, and 86th out of 91. In later years, Cameroon in relative terms moved up the CPI (or perhaps new countries got added below them). In 2005, Cameroon was ranked 138th out of 159 countries. It remained

¹⁴ 'estiment qu'il s'agit d'une farce'.

¹⁵ Mebenga, Mathieu, Mathias Owona Nguini and Paul Zibi, *National Integrity Systems, Transparency International, Country Study Report, Cameroon 2007*, 110 pp.

¹⁶ Quoted on p.25, this was the conclusion of a study on corruption carried out in early 1998 by the 'Groupe d'études et de recherches sur la démocratie et le développement économique et social' (GERDESS-Cameroon), supported by the Friedrich-Ebert foundation. This study, along with the survey of 835 companies carried out by the 'Centre de recherche et d'études en économie et sondage' (CRETES), constitutes the main reference for analysis of corruption in Cameroon.

¹⁷ Part of the long press statement reads: "Police harassment of our colleagues is unacceptable and reflects a government campaign to intimidate journalists who cover corruption scandals," said Gabriel Baglo, Director of the IFJ Africa Office. "We call on the government to stop using these tactics immediately." This was at least the third case in recent months where the police had interrogated journalists after they had reported on government issues. (For further information contact the IFJ: +221 33 842 01 43. The IFJ represents over 600,000 journalists in 120 countries).

in the same place in 2006 and 2007 but each year more countries were added to the list (making 163 countries in 2006 and 179 in 2007). Thus, relatively speaking, one could see this as an improvement.

In simple terms, Cameroon scored better (= was perceived as less corrupt) than 41 countries in 2007. Relatively speaking, a considerable improvement in ranking had taken place. Despite this, the scores given to the country, reflecting the perception of corruption by the respondents/observers of the country, only improved over those three years from 2.2 in 2005, to 2.3 in 2006, and to 2.4 points in 2007. One should also be aware that these figures are not obtained from careful analysis of facts but the result of combining perceptions from many polls.

Over the history of the CPI, Cameroon has always found itself in the bottom 25%. You will not be surprised to hear that none of the rich countries of the world (such as members of the OECD) have ever been seen in those lower ranks, not even in the lower half of the places assigned by Lambsdorff. It is as if major corruption scandals do not happen in the rich 'North', or as if much of the corruption in the Third World has nothing to do with governments, companies and individuals in the rich part of the world. We will soon look at what other observers of Cameroon conclude from World Bank

assessments, the Mo Ibrahim Index of African Governance, and TI with its Global Corruption Barometer.

An intermezzo

Reassuringly for us, the Netherlands usually finds itself among the top ten. In the years up to 2004, we generally came 8th or 9th, but in 2004 we slipped to 10th and, in 2005, to 11th. Was this a deteriorating reality or a perception? The ranking order was quickly re-established as we climbed back to 9th in 2006, and to 7th in 2007. Again the question has to be asked whether this reflects a real improvement or merely the perceptions of society watchers? The Dutch Minister of the Interior, responsible for safeguarding integrity in the public system, reacted enthusiastically, in a speech delivered on 26 April 2007 at the Free University in Amsterdam, to climbing the ladder from 11th to 9th. One year later, she would have been even happier on rising to 7th. The Netherlands 'score' had also improved, from 8.6 in 2005 to 9.0 in 2007. Governments in general do pay attention to these lists and the place obtained by their country.

World Bank assessments

(<http://www.govindicators.org>)

The Worldwide Governance Indicators (WGI), a project of the World Bank, report aggregate and individual governance indicators, for six dimensions of governance, for 212 countries and territories over the period 1996–2007, namely:

- Voice and Accountability
- Political Stability and Absence of Violence
- Government Effectiveness
- Regulatory Quality
- Rule of Law
- Control of Corruption

The aggregate indicators combine the views of a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. The individual data sources underlying the aggregated indicators are drawn from a diverse range of survey institutes, think tanks, non-governmental organisations and international organisations. Note that the World Bank assessments are based on 'views ... of respondents', just like in the CPI: no hard data, only perceptions.

For Cameroon, the results all point in the same direction. From the tables of aggregated figures in the World Bank reports, I reproduce here only the figures for 'Control

of Corruption'. We see that, as with the CPI, the worst 'views' date from the earlier years. There was an improvement between 1999 and 2003 but, in 2007, Cameroon was again listed among the bottom 20% of countries included in the survey.

The World Bank Country Data Report for CAMEROON, 1996-2007

The data on 'Control of Corruption' reproduced below come from a World Bank report that provides a summary of the six aggregate governance indicators, together with all of the publicly-available disaggregated data on which the aggregate indicators are based. The underlying data as well as methodological issues are described more fully in Governance Matters VII: *Governance Indicators for 1996-2007* (June 2008).

That report lists the country's performance between 1996 and 2007 for each of the six governance dimensions mentioned above. For each, the country's percentile rank is given. 'Percentile ranks' indicate the percentage of countries worldwide that rate below the selected country, so higher values thus indicate better governance ratings. Figures correspond to a 90% confidence interval, meaning that there is a 90% probability that governance is within the indicated range.

Cameroon, Control of Corruption

Year	Sources	Percentile Rank 0 - 100	Governance Score	Standard error
1996	6	7.8	-1,23	0.22
2003	8	25.2	-0,79	0.18
2007	14	15.9	-0,93	0.13

The report also provides data from all the underlying sources used in calculating an indicator. Individual ratings have been re-scaled to run from 0 (low) to 1 (high). These scores should be comparable since most individual measures are based on similar methodologies over time. To find out more about each source and organisation one can click on the provided links. More information about each one of the underlying organisations and sources can also be found in Appendices A and B of the Governance Matters VII paper.

Relevant links: www.govindicators.org; www.worldbank.org/wbi/governance/

Note that the World Bank attaches the following disclaimer to its report: *The data and research reported here do not reflect the official views of the World Bank, its Executive Directors, or the countries they represent. The WGI are not used by the World Bank Group to allocate resources or for any other official purpose.*

The Mo Ibrahim Index of African Governance

<http://www.moibrahimfoundation.org/index/index2.asp>

The Mo Ibrahim Index of African Governance is a project of the Mo Ibrahim Foundation. This index was created and prepared under the auspices of the Kennedy School of Government's Program on Intrastate Conflict and Conflict Resolution under the direction of Robert I. Rotberg and Rachel M. Gisselquist. This is a new and comprehensive ranking of 48 Sub-Saharan African nations according to governance quality.

The Ibrahim Index measures the degree to which in five key areas (see below) political goods is provided within the forty-eight African countries south of the Sahara. By comprehensively measuring the performance of governments, the Index is able to offer a report card on the accomplishments of each government for the first years being investigated, 2000 and 2002, for baseline indications. The inaugural complete Mo Ibrahim Index of African Governance was published in September 2007, based on data from 2005, 'the last year with reasonably complete available data for nearly all sub-Saharan Africa countries', according to the report. In future, the Index will be updated annually. After a few years, preferably five in the first instance, the Index will be able to demonstrate how each of the

forty-eight countries has shown progress or has slipped backward.

The index was created in recognition of the need for a more comprehensive, objective and quantifiable method of measuring governance quality in sub-Saharan Africa. The index assesses national progress in five key areas, which together constitute a holistic definition of good governance.

- Safety and Security
- Rule of Law, Transparency and Corruption
- Participation and Human Rights
- Sustainable Economic Development
- Human Development

The report accompanying the 2007 Index explicitly states, about the national progress on the component 'Rule of Law, Transparency and Corruption', that the scores used for Corruption are 'from the 2006 CPI, unless noted' and continues 'although this Index [the Mo Ibrahim Index, MvH] prefers empirical, objective, data on which to base its ratings of each of the three components, we are compelled this year to rely for some of our data on perceptually derived numbers'.

The makers are somewhat critical of the CPI, stating in their report that:

Although the CPI is the gold standard thus far for measuring nation-state corruption, the CPI is based on perceptions obtained

by expert assessment and other survey means. Not all African countries have been examined fully by this TI method. Thus, in order to give scores for all countries, we also include some CPI estimates based on very limited data.

The Indian Ocean island nation of Mauritius tops the 2007 Mo Ibrahim Foundation Index of African Governance with a score of 86.2. In second place is Seychelles (83.1), in third Botswana (73.0), and fourth is Cape Verde (72.9). South Africa, sub-Saharan Africa's economic powerhouse, is ranked fifth, scoring 71.2. These five, together with Gabon, Ghana and Namibia, top the list. Bringing up the rear in 2007 were Somalia (28.1), the Democratic Republic of Congo (38.6), Chad (38.8), Sudan (40.0), and Guinea-Bissau (42.7).

Cameroon ranked number 25 in 2000 with a score of 51.8, was 27th in 2002 scoring 51.9 and 24th in 2007 with 55.6. Thus, in football-speak, it stands comfortably mid-table. For the 'Rule of Law, Transparency and Corruption' component, Cameroon scored 40.5 in 2000, 39.2 in 2002, and 42.5 in 2005 (reported in 2007) so showing some recent improvements.

Cameroon according to the Global Corruption Barometer

The TI report *Global Corruption Barometer 2007* (based on data collected by Gallup International Association as part of its annual *Voice of the People Survey*) interviewed 63,199 people in 60 countries and territories between June and September 2007. Of these, 519 were face-to-face interviews in Douala and Yaoundé (Cameroon's largest two cities) between August 15 and August 20, 2007¹⁸. This means that, each day, over 80 interviews were held, or - if we only count working days - perhaps 130. In other words, if the fieldwork for this research was really completed by one person in the time given, we are talking less than ten minutes per interview, and more likely under five minutes if we take travelling time between the two cities into account.

Moreover, the Gallup report notes that, in global terms, the findings are quite heavily based on urban populations. For Cameroon this is an understatement since all respondents were chosen from the country's two largest cities. Regardless of this, the results are presented as the judgement of all Cameroonians. No indications are given of how the respondents

were selected, neither of the number of refusals encountered in those first selected and later replaced by other respondents.

From the Gallup polls, we learn nothing about corruption in the smaller cities and in the countryside. The data are compared with 'averages' for Africa and for the world ('total sample'). However the data for 'Africa' relate only to populations (and not very representative ones at that) in Cameroon, Ghana, Nigeria, Senegal and South Africa.

Therefore, it seems wise to treat these data with some scepticism. Nevertheless, as we have no other information that helps us understand the relative strength of corruption in Cameroon compared to that encountered by all the respondents

in all 60 countries researched ('the world'), and to those Africans in the global sample, we will look further into the findings.

The questions asked relate to the presence of corruption in particular sectors of the economy. In several questions, people are asked about their own experiences in paying bribes and what they see as efforts by the government to eradicate corruption.

The Gallup poll begins with an opening statement that quotes the corruption definition of TI. This is important information for the respondents. They should be aware that all misuse of entrusted power is to be included in the answers as this is conform the definition used in the Corruption Perceptions Index.

'1. Now we would like to ask you a few questions about corruption. In this survey we are using corruption to mean the abuse of entrusted power – by a public official or a businessperson for example – for private gain. This could include material gain or other benefits.'

'2. How would you assess your current government's actions in the fight against corruption?'

	Effective -	Neither effective - nor ineffective	Ineffective
World	28	18	54
Africa	62	11	27
Cameroon	32	7	61

¹⁸ For Gallup, the work was carried out by Placide Yaptie, pyaptie@rms-international.net

The overall African view that their governments' actions *are* effective (62%) seems remarkable given general perceptions!

Again, note, that there is no differentiation made between public and private misuses of power in the question.

'3. To what extent do you perceive the following categories in this country to be affected by corruption? Please answer on a scale from 1 to 5 (1 meaning not at all corrupt, 5 meaning extremely corrupt). Of course you can use in-between scores as well.'

	World	Africa	Cameroon
Political Parties	4.0	4.2	4.2
Parliament/Legislature	3.6	3.8	3.8
Business/Private Sector	3.5	3.2	3.5
Media	3.3	3.0	3.3
The Military	2.9	3.2	3.6
NGOs	2.9	2.8	2.5
Religious Bodies	2.8	2.4	2.5
Education System	3.0	3.4	4.0
Legal System/Judiciary	3.4	3.5	4.3
Medical Services	3.2	3.1	3.9
Police	3.6	4.5	4.6
Registry and Permit Services	3.0	3.5	3.4
Utilities	3.1	3.6	2.8
Tax Revenue Authorities	3.3	3.7	4.3

Perhaps the most interesting observation is the generally high scores right across the board. Moreover, we see that in nearly all categories 'Africa' scores above the 'World', and that 'Cameroon' scores higher (i.e. is perceived as more corrupt) than 'Africa' as a whole.

The fourth question went in steps. First, people were asked whether they had been involved in a contact where bribe paying could take place. Secondly they were asked whether a bribe had ever been solicited from them. Third, whether a bribe had been paid. Fourth, what was the cost of the most recent bribe paid?

The answers to the third part of this question are shown below.

Percentage of respondents who paid a bribe			
	World	Africa	Cameroon
In 2006	9	36	57
In 2007	13	42	79

Although we see rather large variations in the results, the trend of a deteriorating situation is the same in all three areas.

In 2007 the report for the Global Corruption Barometer gives no percentage for Ghana, but does for the other three African countries included in the survey: 40% of Nigerians had paid a bribe, 38% of Senegalese and 3% of South Africans, see table 4.1 in the report. Also bribery was more common in Cameroon than in other continents, although Cambodians with 72% came close, as did Albanians with 71% (the next highest percentage in Europe was Romania at 33%).

Costs of last bribe paid

Although the *Global Corruption Barometer 2007* questionnaire included a question on the amount of the last bribe paid, the report notes that 'the data collected did not enable statistically robust conclusions to be reached and was therefore not included in this report.' Although we have no figures

for the size of the bribes paid in 2007, some figures are available for 2006 which at least enable some insight into the economic significance of bribe-paying. Although detailed data for African countries are not available, within Africa the largest bribes are linked to the legal system and the judiciary, followed by the police and the education system. The average bribe paid to each of these organisations is greater than €50. The amount paid to utilities, which are the second most commonly bribed type of organisation, is much lower at €6. For many people in Africa this is a significant sum; for the poorest it would be prohibitive, with the result that they may be denied basic services due to an inability to pay bribes.

Future

Percentage of respondents who think that in the next three years corruption will...

	decrease	stay the same	increase
World	20	26	54
Africa	58	9	33
Cameroon	23	12	65

As we have already seen, in relative terms corruption in Cameroon is already high, and now we see that Cameroonians are more likely to think the situation will worsen still further than the respondents from 'Africa' as a whole and indeed the 'world'.

The poor are the victims

Most people who pay bribes are the victims of corruption – payments for ‘extra speed’ in service or illicit backhanders are often the only way they can gain access to services they are entitled to by law, or the only way to avoid administrative obstacles or legal wrangling with the authorities. By revealing the cost of bribery, the Barometer shows the scale of these ‘extra payments’. Corruption and bribery always hit the poor hardest, extracting an extra tax from those who can least afford it.

The legal fight against corruption in Cameroon

In 1999, a governmental plan to fight corruption was initiated with a national *ad hoc* committee and a *National Observatory for the fight against corruption*. The latter becoming CONAC – the *National Anti-Corruption Commission* (Commission Nationale Anti-Corruption) in 2006.

A *National Good Governance Programme* was adopted on 29 June 2000, and revised during the period leading up to November 2005. This became operational in 2006 (slow acting on decisions taken is a characteristic of Cameroonian governance). In 2003, a ‘Chambre des Comptes’ was established inside the High Court.

In the meantime, the world was moving on. On the 31 October 2003,

the *United Nations Convention Anti Corruption (UNCAC)* was adopted in Mérida (Mexico). Cameroon subsequently ratified the UNCAC on 18 May 2004 by decree PR no.2004/010 of the President. Ratification instruments were deposited in November 2005 after the threshold of 30 ratifications needed to trigger entry into force had been reached already in September. In Cameroon convention requirements still have to be implemented into national law and translated into national policies and practices. The draft national anti-corruption law is ready and will most likely pass Parliament before the end of 2008.

In recent years, several laws have been modified to bring the legal system into line with the UNCAC, better defining corruption and penalties, in particular for related offences such as influence peddling, misuse of public funds, and ten more corruption related crimes. Among these are money laundering and illegitimate export of financial resources, for which a specialised control institution has been established, the *National Agency for Financial Investigations* (ANIF – Agence Nationale d’Investigations Financières). Further, the ARMP – *Public Markets Regulatory Agency* (Agence de Régulation des Marchés Publics) is supposed to look into the functioning of direct dealings between public authorities and their suppliers.

In 2006, a law was adopted prescribing that, from the President down to the director level in the governing hierarchy, all officials have to declare, at the beginning and at the end of their term in office, their possessions (‘déclaration des biens et avoirs’). However, the Commission that was expected to oversee this, and serve as a depository for gifts, has never acted.

Also in 2006, CONAC (the National Anti-Corruption Commission) came into being as noted briefly above. Locally, in governmental publications and elsewhere, this instrument is labelled ‘independent’ but, regrettably, this is not the case. Its president and members, its budget and work plan, the follow-up of CONAC-reports, all are determined by the country’s president.

Practice in the fight against corruption

The fight against corruption is used for political purposes by the President. At best, good governance comes second. Arresting ministers and former ministers such as Titus Edzoa (Health), Pierre Désiré Engo (Economics and Planning) and Seidou Mounchipou (Post and Telecommunications)

in 1997-2000, achieved no more than the subsequent arrests of Polycarpe Abah Abah (Economics and Finance) and Urbain Olangouena (Health) in April 2008. These amounted to no more than personnel changes, there was no accompanying institutional changes leading to less corruption. The arrest of ministers is best understood as a realignment of political friends and foes by the President, not as a bold move forward in the fight against corruption. It is a handy tool to raise overseas expectations of desirable changes in Cameroon while, at home, they keep friends in line and enemies quiet¹⁹.

A consultancy report made the following relevant observation (my translation): ‘Lack of knowledge is not the main obstacle in the fight against corruption in Cameroon. Sensitising the public that corruption exists and needs to be fought has little value if the public is not empowered to take any action against it. The use of the media in naming and shaming corrupt practices has limited value. Its strength is as limited, in fact, as the power of public opinion inside the country. Corruption in Cameroon relies not so much on the inability to know as on the inability to act²⁰.’

¹⁹ René Otayek, Directeur du Centre d’Etude d’Afrique Noire de l’Institut d’Etudes Politiques de Bordeaux, and Mathias Nguini, Professor of Political Sciences at the University of Yaounde II, acting as World Bank consultants conclude that the selectively used technique of anti-corruption purges is actually favourable for corruption and hostile to sound developments in the fight against corruption. See their final report, ‘L’économie politique de la corruption et de la lutte anticorruption au Cameroun (2008, 12): « la technique sélective des purges anticorruption [...] est propice à la corruption et hostile à un sain développement de la lutte contre la corruption au Cameroun ».

²⁰ Source: AC Cameroon Concept, Actively pursuing Anti-Corruption Law Enforcement in Cameroon.

Part III. Perceptions as a cause of corruption

It is time to address my main thesis, that is that the use of perceptions of corruption, as a way to qualify and quantify corruption, does not necessarily lead to a better understanding of this phenomenon and, moreover, that the publication of the results of studies based on perceptions is in itself a cause of corruption.

I do recognise that greed, impunity, absence of an independent judiciary, lack of democratic controls, of press freedom and of political will, the suppression of criticism, low salaries (with resulting poverty in the lower administrative ranks) and weak accountability, and the tradition of supporting family members and those originating from the same tribes or regions, are all factors that encourage corrupt behaviour.

Nevertheless, we should not underestimate the role played by perceptions in allowing corruption to flourish.

In my view, TI underestimates this factor and it also underestimates the effect of its yearly ranking of countries based on perceptions of corruption.

TI *assumes* that it is the actual presence of corruption that leads to perceptions as to how corrupt a country actually is. The TI approach implies that the actual presence of corruption can be measured by quantifying (measuring) these perceptions.

My thesis is that the scores and ranks allocated to countries by TI, based on perceptions of how prone to corruption these countries are, actually contribute to the development and growth of corruption. Based on this, I argue that it is therefore better to make use of research that is based on factual corruption, to define corruption unequivocally, and to quantify the prevalence of corruption based on hard facts. However, the methodology and research techniques to support such an approach have still to be developed.

I will now discuss these issues based on my recent experiences in Cameroon.

It is generally accepted that Cameroon is corrupt

Cameroon qualifying as the 'most corrupt country of the world' in 1998 did not go unnoticed in the country and in the wider world. The TI senior management was invited to Cameroon for explanations and - also in line with more general developments in the world - the corruption issue came under scrutiny within the country. One could and one can still talk openly about corruption, although writing about it in the newspapers and speaking on the radio remains somewhat risky (see footnote 17).

Worse still for Cameroon was receiving this qualification in two successive years based on TI's rankings. The perception of the country was ruined. I see this as unfair and a 'wrong' as the rankings are academically unjustifiable, as I have explained in Part I of this lecture.

Consumers of news are prone to selectively accept and remember statements that reinforce beliefs they already hold. We tend to remember news that accords with our worldview, and discount statements that contradict it. 'Africa is the most corrupt' is firmly established in Western minds.

However, to contradict this statement about Africa, one has to repeat the misinformation, which in itself may inadvertently strengthen the falsehood.²¹ The perception of corruption will be reinforced, even in denying it. All the more so, as the last place in the 1999 CPI, reinforced the impression acquired in 1998.

In passing, I should mention that while other countries have ended up in the last place on the Corruption Perceptions Index of TI (that is inevitable in any ranking system), none of them have been placed bottom in successive years. Cameroon's

unique misfortune to have been placed last in successive years has strengthened the perception of observers.

Perceptions based on peer attitudes

It is almost impossible for an observer not to be influenced by conclusions drawn by his peers. It is far easier to conform to the general opinion expressed in your social environment and, as we have seen in the case of respondents to polls about corruption, these environments are rather biased.

Those that qualify a country as corrupt do so on the basis of their own experiences, and the experiences of their families and peers in the first place. The image they have of a country is built up of many events and many transactions. Some of these images, maybe most, may have nothing to do with corruption but are related to other more or less agreeable experiences in the country.

There is more. When everybody accepts that all policemen are corrupt, why should a young recruit to the police force not be corrupt? The normal acculturation process requires new entrants to become

²¹ Sam Wang and Sandra Aamodt, *Welcome to Your Brain: Why You Lose Your Car Keys but Never Forget How to Drive and Other Puzzles of Everyday Life*, Publisher: Bloomsbury USA, 2008, 240 pp, Publication Date: 2008-03-04, ISBN: 1596912839, Dewey Decimal Number: 612.82, EAN: 9781596912830.

Quoted in International Herald Tribune, Monday, June 30, 2008, *Your brain lies to you*, same authors.

as quickly as possible like their new colleagues. If everybody sees all policemen as corrupt, as a new recruit you also want to earn that badge of honour. This is even truer when it comes to financial gains. To be different from your peers is inherently difficult, and it might become costly. If you do not want to become corrupt, the best advice is not to join the police force! And a consequence is that on average the police force becomes more corrupt.

The perception of a country as 'corrupt' also hinders foreign direct investments. Why should a foreign investor come to Cameroon, and why indeed should Cameroonians invest their money in Cameroon, if they can go elsewhere in Africa to countries that enjoy a better reputation? As with the police story above, we see here another mechanism at work. If European investors want to go to Africa to make business deals, those who have no objections to corruption are likely to target Cameroon as they know from the TI perceptions index that Cameroon is a corrupt country where people will assume that, as a businessman, you know that they are corrupt and are willing to join in.

As a result, only those investors will arrive who have a 'war chest' of money available to 'buy' public officials, permits, etc. Those who do not share that business-(im)morality, who do not have money or other presents for bribes, and

who want to behave honestly and respect the laws of the country, will go elsewhere where there is no need for a war chest to buy public officials and politicians. This natural selection of morally questionable investors seeking deals in Cameroon responds to the perceived 'knowledge' that TI has given the country a bad score and that therefore this country must be corrupt and corruptible.

Foreign investors may also underpin corruption. Their illegal contributions may fuel the corruption fire. Exporting and selling illegally obtained products from Cameroon (oil, wood) in legal markets overseas, makes it all the more difficult to eradicate corruption in Cameroon. The end of the pipe in Europe is as important as the beginning of the pipe in Cameroon. Or does the pipe begin in Europe? Who is the real culprit?

All this means that if a country wants to fight corruption, it needs not only a policy and the means to do so, it also needs to change the perceptions of the country not only with regard to corruption in its narrowest definition but also with regard to other aspects of social and economic life that may impact on certain aspects of business behaviour. The broader the 'level playing field' becomes, the more there is a chance of improving ones reputation.

Tourists develop their own views of a country based on their own experiences, in the shops, the service in restaurants. They love to see a pleasant smile from a policeman when asking for assistance, etc. Sportsmen enhance the image of a country by winning Olympic gold medals, or by winning a Cup. Backpackers, often the first ones to 'discover' a new country that will soon be on the agenda of other young people, look for low prices combined with good contacts with local people, interesting souvenirs, cheap and clean boarding. Their impressions from their first low-budget vacation still play a role years later when they can afford five-star hotels.

What to do?

Efforts to eradicate corruption in general have to cover too broad a battleground. A piecemeal approach might work better. This is the basic idea behind the creation of 'islands of integrity'. If, in a particular human environment, it seems that everybody is corrupt, the creation of 'islands of integrity' might be a good way to start, for example establishing a 'corruption-free' school in a village. A school where the director, the administrator, the teachers, the parents and the children pledge that they will not accept nor pay bribes to 'guarantee' a place for a child, or to 'secure' a better end-of-year report, or to 'obtain' an undeserved diploma. Parents of children in neighbouring schools will soon start

wondering why bribes have disappeared at one school while they still have to pay extra to ensure the deserved results. Would it really be impossible to get one corruption-free university in Yaoundé? Would it be impossible to achieve a corruption-free police district somewhere in Cameroon?

A good choice, particularly if Cameroon wants to earn international recognition as fostering the fight against corruption, would be to make Yaoundé's airport, Nsimalen, corruption-free. This would make it the only corruption-free airport in Africa! The corruption-perception of Cameroon would change considerably.

What is needed is a director that wants to clean it up, and who is given the means to do so. In particular, he would need implementing powers that could withstand the power of some of the airport's users.

Conclusion

Changing the perceptions of Cameroon as corrupt is as important as changing the reality of corruption in Cameroon. This should be reflected in the fight against corruption, which should also recognise that, to eradicate corruption in Cameroon, one has to eradicate corruption in our world, the world of the OECD, as we largely provide the funding and the incentives that make it an attractive option in the first place.

Closing remarks

1. I was very pleased when I found out that SAXION were interested in getting me 'on board' its academic staff, for teaching and researching a subject as important as 'governance'. All the more so as I found that I did not have to do this alone but that there was already a colleague with whom to share the task, Johan Wempe. I am particularly thankful to him that our activities have developed quickly and in a friendly and cooperative atmosphere.

In my view, academic education, whether leading students to research or to a practical function in society cannot be completed without imparting some basic knowledge about corruption and integrity. All social and economic relationships recognise one or more aspects of 'power'. Therefore, 'abuses of power' will be lying on the doorstep of everyone's future: one should not cross the threshold lightly.

It is important for students to learn that it is not always a case of honest arguments leading to the best possible decision: sometimes it is an 'abuse of power' that leads to a dubious decision, costly to individuals and always costly to society, as they destabilise the workings of the market. Decisions are often expressed in financial terms. 'Who holds the purse?' is an important question. Luckily, the business community is beginning to realise

that doing business can be more profitable for them if negotiations, contracts and deliveries take place on a 'level playing field' so that they can win by being the best not by bribing the best.

Of course, Johan Wempe and I will not turn SAXION students into experts on corruption. 'Abuse of entrusted power for private gain' will not be taught here.

But, in a time when both public and private authorities, those in power, have discovered that integrity pays, that good business behaviour is not only a moral issue but an economic one as well, all students have to learn the difference between accepting 'a cup of coffee' which is no more than a friendly gesture, and the acceptance of a similar 'cup of coffee' which is to be understood as the first step on the downward spiral towards major corrupt dealings.

2. As a researcher, I despair that so much is still unknown about corruption, and that there is little attention given to finding a good definition of this phenomenon in our economy and society. The lack of hard facts on corruption makes it acceptable for many of those studying corruption to collect and analyse a surrogate, namely perceptions of corruption, as gathered from 'respondents' in various polls and surveys. This 'information' is then used as 'facts' by politicians and public officials in

drawing conclusions and making decisions in politics and in business.

As I have repeatedly highlighted throughout this lecture, the most well-known index of corruption, the one published annually by Transparency International, is defective in its methodology and lacks quality in its research techniques. Nobody should trust its annual rankings of countries based on perceptions of the prevalence of corruption.

However, I have gone further; I have ended my previous analysis with proposals for improvements.²² In that analysis I presented in the concluding chapter titled 'What Next?' ways to reach better results.

I have also presented SAXION with a proposal that could serve two purposes.

First, it would help establish a better methodology, one that studies facts rather than perceptions, delivering reliable results about the spread and extent of corruption throughout the world.

Second, it would contribute to the internationalisation of SAXION, in particular by increasing its standing among research institutions that deal seriously with the subject of corruption and integrity.

²² See my reference in footnote 5.

I calculated in my proposal that costs would not exceed €400,000, spread evenly over four years, involving twelve international scholars (including three Dutch) from at least eight different institutions.

Unfortunately, funding is not available, even at this modest scale, but I am continuing to work on this, as I think that the real fight against corruption has hardly started and that an instrument that is capable of realistically qualifying and quantifying corruption is essential. To make such an instrument will enable SAXION to become known as one of the centres of excellence in the fight against corruption.

3. In June 1962, I defended my doctoral thesis on The Collectivization of Agriculture in the Polish People's Republic, 1944-1960. As was usual in the University of Amsterdam at that time, I was assisted in my defence by two paranymphs, Suus van der Meulen and Jan Adelmeijer. They symbolise the continuity of science in my life. I am happy to see them again in this academic session with some more of my colleague-sociographers of the fifties, all of them also lifelong friends.

Both my research subjects, 'collectivization' and the 'People's Republic' have

vanished in the course of the past half century. I can only hope that corruption will similarly disappear in the next half century. This would be a valuable addition to the two subjects already lost.

4. For the first time in an academic session with me are my wife Els and our four children. All four are involved in professions that serve others, as partners or consultants working in diverse sectors of our national and global economy. Of course, they all know about my activities, most recently in Cameroon, and my studies in the field of corruption and integrity. They do not need my warnings to retain their integrity. I think that the education which they received, in particular from Els since I belong to that generation of absentee fathers, has helped them and will continue to help them, each in their own environment, to be citizens with the integrity that our world needs. My wife took care of the structure in our lives, honouring the basic principles of a stable household (important when you travel and reside with the family all over the world) and under a sustainable roof in Lelystad, the city she loves. This has made it possible for me to remain honest and to serve, for which I am most thankful to her.

5. I hope that I am able to contribute to the futures of SAXION students and that I can help educate them to become honest workers who know that a 'level playing

field' is not only good for themselves and their colleagues, but also for their competitors.

Quality and integrity should be your objective in achieving results, not dubious transactions with what may appear to be better results.

It is with pleasure therefore that I accept the Chair of Governance.

Thank you.

Prof. dr. Johan Wempe



In the beautiful historical novel *Public Works*, Thomas Rosenboom¹ describes how the violin constructor, Walter Vedder plays his hand in negotiations with the Victoria Hotel company. The story is set in the 1880s, and Amsterdam Central Station has recently opened. On the site of Vedder's house, just opposite the station, a project developer plans to build a large hotel. Vedder recognises the strength of his negotiating position and asks an extremely high price. He even convinces his neighbour to follow his example. The neighbour, convinced by Walter Vedder, asks him to represent himself in the negotiations. Vedder, however, puts himself in an impossible position by promising the proceeds of the house sale to the residents of a peat diggers' hamlet in Drenthe. They are in appalling circumstances and would like to move to America, the land of unlimited possibilities. Vedder cannot go back on his word. It means his downfall.

The construction of the hotel is of public interest to the city of Amsterdam. Due to the new station, Amsterdam will become a city with an international allure. The rail link will attract new visitors, new businesses and new trade. The dynamics of the

city will move away from the canals to the new harbours and the station. A hotel with an international reputation will contribute to the attraction of Amsterdam.

Public opinion comes to the fore; in several letters to the newspapers, citizens react complaining that all these changes imply a loss of character for Amsterdam. Walter Vedder, under a pseudonym, participates in the discussion.

The Hotel Victoria scheme is proposed by a private company. It has to convince Walter Vedder and his neighbour to sell their houses. If it was a governmental

organisation, such as a Public Transport company, then compulsory purchase would be a possibility.

Over time, the results of the stalled negotiations become visible. The facade of the Victoria Hotel is completed around and even above the two small houses.

The interesting thing about this story is that, in a very simple way, the governance issue is made visible. There are four players: the municipality, the project developer, the owners of the houses, and public opinion. Everyone has some power. All four players have, as it were, to contribute to resolving the situation. The municipality can change the use of the territory, but they need the support of the citizens and the willingness of the project developer to take the risk in building the hotel. Even if Victoria Hotel Ltd. is authorised by the municipality to build the hotel, it still has to come to an agreement with the owners of all the houses.

The two houses in the facade of the Victoria Hotel reflect an example of bad governance.

From business ethics to governance

Anyone who has known me for some time will be asking themselves: "governance? governance? what does he have to do with

governance?" Let me first reassure those friends who have this question - there is a clear line in my development. At first, I was concerned with ethics: the study of good and evil. What is a responsible action? I made a turn towards business ethics and tried to apply ethics to business. Is it possible to call a company responsible, or is that a sloppy way of speaking? Do we only mean that the company is led by responsible managers? My conclusion is that the way in which companies are organised and governed is relevant when answering the question about the responsibility of a company. However, the responsibility of a company does not only depend upon its internal organisation, but also on the role that the organisation plays in society. Corporate Social Responsibility enters the picture. Businesses and other organisations have come to realise that they have a social impact and accept responsibility for this. But in doing so, they can be at cross purposes with our politicians, who are responsible for the general interest. They are elected through democratic procedures and, from this, derive legitimacy to make decisions concerning social choices. However, there has been a shift in roles: the private sector is taking a part in these societal choices. This is the area of governance.

The philosopher Whitehead said, early in the 20th century, that all Western philosophy is nothing more than footnotes to Plato. This statement certainly applies to

¹ Thomas Rosenboom, *Publieke werken (Public Works)*, Amsterdam, Queridos Publishing Company, 2000.

governance. In the *Politiea*, Plato argues that a just society is characterised by the fact that every class is fulfilling its role. Governors must be wise, soldiers brave, and civilians should be moderate. When all do what they have to do, we can call this a just society. This is also the core of governance. The interesting thing is that changes in the social issues have led to new roles, and existing roles are constantly redefined to seek new alignment mechanisms that resolve social issues. In short, an exciting field that ultimately revolves around ethics. How do we organise our society, and how do we ensure effectiveness, legitimacy and justice?

The term 'governance' is used in many contexts. We talk about Corporate Governance, Public Governance, Good Governance, Global Governance, Governance of Sports Organisations etc. The term governance is derived from the Greek *kybernan* in the sense of steering or piloting a ship². The related Latin word is *gubernare* meaning to direct, rule, guide or steer. In other words, the process of steering or piloting. This concept also underpins the concept of government.

'Governance' is the process of directing a community, that is, the way we organise cooperation within a community to resolve common issues. That community can be a society, an association of nations, a company, an association, a school, or even a family.

In my view, it is both possible and desirable to develop a comprehensive theory of governance. Such a theory will reflect the guiding principles of communities in general. In this inaugural address, I will mainly deal with the governing issues of a society. Moreover, I will especially pay

attention to cooperation across national borders. In a sense, you see here in the great what is, on a smaller scale, at stake within companies, sports organisations, municipalities and countries. In cooperating across borders you have to deal with a relatively loosely structured organisation whereas, in other contexts, the participating parties are often tightly organised, all with their own strategy, culture and their own legislation: nations, branches of industry, companies. In the same way that authorities within their own borders have to deal with issues involving various actors, each with their own goals and organisational frameworks, companies are increasingly dependent on stakeholders who make independent choices and are also dependent upon partners along the chain and in their sector. How do you achieve reconciliation among so many parties? To what extent is competition between companies constructive leading to benefits, and when does it become destructive? To what extent is it desirable that certain parties have a monopoly, so that they have the power to decide how services are offered? This can only be the

² Online Etymology Dictionary: www.etymonline.com/index.php?search=governance&searchmode=none. Consulted on 23 August 2008. O.Fr. *gouverner* "govern," from L. *gubernare* "to direct, rule, guide," originally "to steer," from Gk. *kybernan* "to steer or pilot a ship, direct" (the root of *cybernetics*). The -k- to -g- sound shift is perhaps via the medium of Etruscan. *Governess* "female ruler" (1483), shortening of *gouvernousse* "a woman who rules;" in the sense of "a female teacher in a private home" (1712). *Government* is first attested in 1553, from O.Fr. *gouvernement* (replacing M.E. *governance*); *governor* (c.1300) is from L. *gubernatorem* (nom. *gubernator*) "director, ruler, governor," originally "steersman, pilot." *Gubernatorial* (1734, chiefly in Amer.Eng.) preserves the L. form.

case if they accept the responsibility for the proper functioning of the relevant part of society. In short, I shall focus on cooperation across borders. By doing so, I am able to develop concepts that are also relevant for other levels of cooperation. In that sense, I am working on a comprehensive theory of governance.

A powerful government is often seen as the solution to governance issues. A powerful government means politicians with authority and civil servants with clear instructions. According to this somewhat traditional view, it is then possible to get a complete picture of the issues at stake within all of society, to adequately organise the different actors and coordinate the necessary actions to ensure a good outcome. This is termed a centralist and hierarchical vision of society. It is becoming increasingly clear that, in many situations, such a complete picture is impossible, and even undesirable, for guiding all the involved parties based on a single central perspective. The complexity of the issues we face as a society leads us to search for new forms of social governance. We are looking for non-hierarchical steering models, to stimulate parties to work together and to influence each other. This is horizontal steering: the involved parties direct each other.

As noted earlier, the etymological meaning of the words governance and government

is steering or piloting. A concept visible in the Dutch term 'besturen', although the English word 'ruling' does have a comparable connotation. This etymological root of the words governance and government leads us astray. It would seem that the government, or a governing board, is like the driver of a car: steering with a steering wheel, pressing pedals and studying a dashboard with buttons and instruments. A turn of the steering wheel sends the car in the desired direction. Through the meters on the dashboard, the speed is under constant surveillance, and the dashboard also gives the driver information as to whether the car is functioning properly; a warning light will warn if the oil runs low. In the English language, the word 'ruling' implicitly suggests that it is possible to organise society by formulating rules. The traditional view of governing, that is implicit in the language, offers a centralised and hierarchical perspective on societies and organisations. The language suggests that there is a central point from where a complete overview is possible. It follows that, in order to ensure effective and legitimate leadership, we need to guarantee that the decisions of the government are controlled by an elected parliament and that we can rely for their implementation on civil servants.

The analogy between public administration and the driving of a car, however, fails in many respects. There is not one

driver in the driving seat. Often, we have to deal with a multitude of steering parties (multi-actor governance) and layers of governing bodies (multilevel governance). Every government official and governmental body tries to steer from its own perspective. First, you have to deal with several types of government on several levels: from the municipality, the water board, the province, the nation to the EU and even global governmental organisations like the World Bank and the UN. Each layer claims its own jurisdiction, and these often overlap. On each of these levels, you have to deal with communities and people who choose their own representatives, who go on to appoint their own governmental body and who in turn are supported by civil servants. In addition to governments, we have also to cope with businesses, NGOs and non-profit organisations such as hospitals and housing associations. All these parties have power and resources, and through these exert control over parts of society.

The processes in society cannot be understood as simple causal relationships. Society is not a vehicle with a steering wheel and pedal and meters. Societal issues are just too complex and too comprehensive. There are too many aspects simultaneously at stake and, in many cases, the societal issues go beyond traditional societal borders. Think of the 'food versus fuel' debate or the

millennium development goals. The near impossibility of fully understanding the complexity of these issues makes it difficult for officials of governing bodies to take decisions. In addition, any action by one of the parties has, besides the intended effects, also a number of unintended side effects. Sometimes these are undesirable. Over time, one gains an ever better view of the side effects of an action. This leads to uncertainty for decision-makers, especially as the opinions of the media, the public and the parliament tend to be based on retrospective wisdom. Once a problem receives attention in the media, the effects and side-effects of decisions that were taken become highly visible. Members of governing bodies are often in a situation where many of the effects and side effects of a decision are not yet visible.

Thanks to the role of the media, including new media such as the internet, the decisions of the government and governing boards are immediately visible to a wide audience. Internet makes it possible for citizens to respond directly to decisions taken by governors and administrators. Where previously such communication took place through controlled channels, each citizen can now directly express an opinion. Politicians closely follow the opinion polls. The media and internet communications have a major influence on the behaviour of politicians.

Finally, there is a shift in roles. For many societal changes, especially the larger ones, societies are looking for new ways of organising. In recent decades, there has been a shift in the direction of the private sector. Most societal issues are now defined as efficiency issues: combating the inefficient use of scarce resources such as space, raw materials and the clean environment. The market is increasingly seen as the best way of organising society in order to solve this efficiency problem. It is interesting to see that, at other times, other choices were made. For example, many railway organisations were nationalised in the 1930s. Becoming connected to a European rail network required far-reaching decisions, and these required legitimacy on the part of the railway organisations. It had to be clear that any decisions to integrate local (and often publicly owned) railway companies and to expropriate land for the new railway lines were in the public interest. Hence, nationalisation of the various railway companies, each with its own network, was, at the time, a logical step.

The market is, in effect, a way to create horizontal steering. However, it is not the only way in which horizontal directing can be achieved, it can also occur when involved people and parties accept their social responsibility. In essence, horizontal steering means that involved parties within a community are willing to

solve societal issues by working together. However, that is not an obvious route. There is always tension between the localisation of responsibility in the hands of stakeholders and top-down intervention and control. Politicians put pressure on governing bodies and administrators to accept vertical steering. One effect of such governmental interventions is that responsibility is sucked away from society. There are any number of examples: from youth care and care of the elderly to the World Bank, from the construction of houses to public buildings and large infrastructural projects. We have recently had several incidents in the childcare field: parents who have killed their children. Cries for help, that were raised by the parents themselves or by neighbours, simply went unanswered. What is the responsibility of the multitude of involved organisations? The collapse of the balconies of an apartment block in Maastricht, the renovated theatre in Hoorn, and a multi-storey car park at Bos/Lommer Plein are further examples. To what extent are these incidents the responsibility of the project developer as against the governmental department that approved the construction drawings? An overarching constructor, a strong person who oversees all the processes, is often seen as the solution. In such cases, MPs and city councillors are only too ready to ask questions that suggest that a minister is in some way responsible. The media and public opinion often put more pressure on

MPs and city councillors, and this stimulates a more centralised and hierarchical way of organising responsibilities.

Nevertheless, the private sector and social organisations increasingly accept responsibility for social issues. In the Netherlands, there has been a long tradition of social organisations taking responsibility for the public space. Often that took place in the form of philanthropy. Many such philanthropic activities were organised by interest groups and churches, but companies were also involved. What is new today is that companies will accept responsibility for the public space as part of their business decisions. Through social responsibility they enter the area that until recently was reserved for the government. Sometimes this scares political representatives and civil servants: is this not our task? Even in the processes where the government itself deliberately seeks horizontal forms of governance, many elected representatives and officials find this difficult to accept. There is thus tension between vertical and horizontal steering. Governors and administrators may well want to leave more to the social field and the private sector, but they are still representatives of the people and are held accountable for the use of the funds entrusted to them. Governors are under pressure to use vertical (centralised and

hierarchical) control when it comes to social problems to ensure an effective and efficient solution. In discussions about childcare, the question is whether the government should interfere in the upbringing of children by their parents and, if so, how far that responsibility goes. Here the tension between vertical and horizontal steering forms is central. Each vertically-oriented control measure takes responsibility away from those directly involved. Vertical steering leads to a rigid control and monitoring system, and to excessive bureaucracy. Horizontal steering leads to hazy responsibility and results in a large number of supporting public services that creates a risk of overlapping governmental services.

The governance debate started in connection with businesses. In the 1930s, immediately after the great stock market crash of 1929, a lot of attention was paid to governance issues. The famous publication of Coase³ must be understood in that context.

In the 1990s, again a public debate on corporate governance took place. Following a number of questionable activities, it became clear that the standard way of managing companies was no longer working properly. New crises have, over the course of the last 15 years, refuelled the

³ R. Coase, *The Theory of the Firm*, 1937.

debate. Due to changes within companies, shareholders no longer had a sufficient view on how a company operated; corporate supervisors could no longer maintain adequate supervision over the Board; and the board members, in turn, had insufficient grip on their employees. A simple example makes clear the enormous changes that took place within companies. In the early 1990s, a manager had a grip on his staff. Letters for the staff were typed by a secretary. She had the paper with the appropriate letterheads in her possession. She also knew exactly which letters had to be signed by the director and which could be signed by more junior staff. Since the mid-1990s, the use of computers and the internet has grown enormously. Employees now have direct contact through email with many people in the outside world. Management has virtually no control over the emails that are sent on behalf of the company. Furthermore, all employees, in every corner of the organisation, are able to have an almost complete overview of the functioning of the organisation. Thanks to the media and the internet much more information about the company is available externally. The employees are asked by their friends about what they have read about the company in the newspapers and what they see and hear on television and radio. The higher levels of education, the greater degrees of task specialisation and the increased complexity of many activities,

all help explain why managers have lost control over their staff. Just think of Nick Leeson who, on his own, was able to ruin the bank he was working for. Control over staff has changed radically due to the internet and email, the higher degree of specialisation, the level of education and the greater complexity of many issues. From the perspective of flexibility and the ability to react quickly to market developments, the decentralisation of power is a positive development. From a control perspective, it is a disaster.

The new thinking about governance structures and clear role definitions for all the involved parties has had an enormous influence on the functioning of companies. Various corporate governance codes have been developed. The best known are the Cadbury Code (UK 1992), the Principles of Corporate Governance (American Law Institute, 1992) and the King Report (1994, South Africa). Following a new wave of crises in the U.S., the Sarbanes-Oxley Act (2002) was adopted. Such codes and laws formulated the principles of good corporate governance. At the global level, the OECD developed advice for governments on how corporate governance should be organised. In Europe, the De Winter committee advised on how corporate governance could be organised in Europe. In the Netherlands, as far back as 1997, the Peters committee had already issued a code. In late 2003, after an extensive

consultation period under the leadership of former Unilever CEO Tabaksblat, the Dutch Corporate Governance code was established. Most corporate governance codes formulate principles that are a response to the agency problem⁴. That is, how are shareholders able to guarantee that the Board is acting in their interests? The King Report went for a broader perspective that involved all the stakeholders. However, in practice, most codes implicitly do more. The different roles of the involved parties are described. For example, the Dutch Corporate Governance code describes the roles of the shareholders and of the accountant. The shareholders are seen as having responsibilities. The growing phenomenon of proxy voting contravenes the code. The independence of the auditor is also important and their role is described extensively in the code. Corporate governance encourages the clear definition of roles for the involved parties and shows how these roles interact.

Governance in a Dutch perspective

According to the Tabaksblat committee, “good corporate governance essentially revolves around efficient supervision of

the management board (the ‘checks’) and a balanced distribution of power and influence between the management board, the supervisory board and the general meeting of shareholders (the ‘balances’). The external auditor plays an important role in the supervision and assists the supervisory board which, in turn, operates on behalf of the shareholders and other stakeholders”⁵. One striking difference between the US and the European (including that in the UK) approaches to corporate governance is that the US has opted for legislation whereas Europe has gone for voluntary codes. In the Dutch code there is room for exceptions. You may depart from the code, provided you state this explicitly and explain the differences: i.e. comply or explain. Such a principle is difficult to incorporate in legislation.

If you consult the website of the Dutch Ministry of Finance using the search word ‘governance’ you will find a large amount of information on *government* governance. It is even possible to download a Guide to Government Governance, a report dating from 2000⁶. The purpose of government governance is, according to this guide, to evaluate the way governmental organisations are controlled by

⁴ J. van Oosterhout, *Het disciplineringsmodel voorbij; over autoriteit en legitimiteit in Corporate Governance*, Inaugural lecture, Erasmus University, 12 September 2008. See also: <http://lcweb.loc.gov/catdir/cpsolcco/h.pdf>.

⁵ “The Dutch corporate governance code. Principles of good corporate governance and best practice provisions”. See: www.commissiecorporategovernance.nl. Consulted on 20-September-2008.

⁶ Handleiding Government Governance. Een instrument ter toetsing van de governance bij de rijksoverheid. See: www.minfin.nl/dsresource?objectid=43731&type=pdf. Consulted on 20 September 2008.

supervising bodies. Interestingly enough, this guide starts by defining Governance in a broad sense. Then it shows how government governance might be seen as falling within the scope of corporate governance. Governance in the broad sense, according to this guide from the Ministry of Finance is, “to ensure the coherence of the way the management’s control and monitoring of an organisation is focused on the efficient and effective realisation of objectives, as well as the open communication about the organisation and the way in which the organisation holds itself accountable towards its stakeholders. (...) Governance focuses on the stakeholders of an organisation, the related objectives of this organisation, and the responsibility of the management of this organisation to realise the organisations goals. An organisation’s existence is derived from its capacity to benefit its stakeholders by achieving their goals. The purpose of governance is to create guarantees for the realisation of these objectives. This is a direct consequence of the responsibility of the leadership for the realisation of the organisational goals. The organisation has to be directed and controlled with this in mind. For the actions that are taken, the organisation is accountable towards its stakeholders. In many cases, a supervisory board acting on behalf of the stakeholders is appointed. Therefore governance and thus government governance

involves *de facto* the activities managing - control - monitoring – accountability”⁷. The difference between corporate governance and government governance is, according to the guide of the Ministry of Finance, the chosen goal of the organisation. The purpose of business organisations is to make a profit. The purpose of governmental organisations is to develop policies. Government governance contributes to the creation of safeguards for the realisation of the objectives of governmental organisations. For the central government these are the policy objectives set by Parliament. The minister is responsible and accountable for the achievement of these objectives. Government governance therefore ensures the primacy of the politics⁸.

It is also noteworthy that the Ministry of Internal Affairs deals with public sector governance. Here, the concept ‘good governance’ is used. In 2006, the Ministry of Internal Affairs initiated a Center for Good Governance in the Public Sector in order to give an additional impetus to all the good initiatives in this field in the public sector. In the Ministry’s vision, there are three aspects to good governance: quality, effectiveness and efficiency. The public sector is all about the work of people: giving space to the professionals to do their job well and control costs⁹.

Moreover, a large number of organisations and sectors have considered governance issues within their own sector. The charity institutions have their own governance code: the Wijffels code. The sports sector has a code. Educational institutes work on educational governance. There is talk about governance in healthcare. Even the culture sector has its own governance code¹⁰.

Governance versus Government

Worldwide, much attention is today paid to governance. As discussed above, the concept is applied in many contexts, each adopting its own meanings. Is there common ground shared by all those interpretations of the concept of governance?

According to Rhodes¹¹, the concept of governance is used in at least six ways. Governance as the minimal state, as new public management, as good governance, as corporate governance, as a social system, and as self-organising networks. He sees the multitude of definitions of the concept as a justification for offering his own definition and making it fit for the purpose that he has in mind: “the analysis of the change in British government”.¹²

Governance refers to “self-organising, inter-organisational networks”.¹³ Rhodes definition includes key elements taken from all the other definitions. Governance, according to Rhodes, deals with the mutual dependence of organisations, the continuous interaction between the network members, game-like interactions regulated by their own rules of the game which are subject to negotiation by the network members and endorsed by them, and, finally, involves a high degree of autonomy of these networks from the state.

Many political scientists perceive the concept of ‘governance’ as the opposite of ‘government’. The latter is seen as an outdated and obsolete way of governing. Governance, as it were, supersedes ‘government’. The new issues require governance it is claimed. Surreptitiously, a value judgement is added to the scientific debate: governance is better than government. Horizontal control is better than hierarchical control, or so it is claimed. Depending upon the political colour of the claimants, reference is made to the market or to the role of civil society organisations.

⁷ *ibid.* p. 8.

⁸ *ibid.* p. 10.

⁹ See: www.centrumvoorgoodgovernance.nl. Consulted on 20 September 2008.

¹⁰ See: www.culturalgovernance.nl. Consulted on 20 September 2008.

¹¹ R.A.W. Rhodes, *Understanding Governance, Policy Networks, Governance, Reflexivity and Accountability*, Open University Press, Maidenhead, 1997, p. 47.

¹² *ibid.*, p. 53.

¹³ *ibid.*, p.53.

As in all areas of the social sciences, values play an important role. Indeed, in the end it boils down to the structuring of a 'good' society, and to the societal choices that have to be made. That does not mean that certain tools, which can be used in solving social issues, are rejected in advance. Naturally, opting for market forces, or for a steering role for civil society organisations, or for governmental hierarchical control has implications for the type of society we build. In certain areas one social instrument will work 'better' than another.

The introduction of this ideologically coloured definition of 'governance', in which government more-or less disappears and all hope is invested in the market or the social field is, in my view, a weakness. It assumes that the use of the term 'governance' also implies normative choices. When the term 'governance' is used, it appears that a choice has to be made against the concept of government. The need for and the actual emergence of new forms of more-horizontal governing does not imply that the vertical, hierarchical and more-centralised form has become obsolete.

I therefore call for a neutral use of the term 'governance'. In order to resolve social issues, other governing arrangements are also possible. Alongside horizontal forms of steering, forms of hierarchical and central control could also be included. When the government supports the development

of our energy sector in the direction of a sustainable energy economy, by requiring new houses to meet certain insulation criteria or that car fuels should contain 5.75% biofuels, hierarchical control is involved. Where farmers produce 'green' gas by fermenting their manure and other organic residues, and this is then fed into the gas grid to sell on to customers, entirely new partnerships arise. The agricultural sector is then working with the energy sector. A third sector, the car producers and the oil companies get involved as well. The involved companies, interest groups, and governmental organisations have to create new forms of cooperation among the waste processors, the sewage treatment companies, the food industry, the energy sector and even knowledge institutes like the Saxion University.

If you want the Green Gas market to really develop, then many parties need to make steps at the same time. It is necessary for a large number of locations, and almost at the same time, to become places where one can refuel with Green Gas. Only then will automobile companies be willing to produce cars that run on Green Gas. This famous 'chicken and egg' problem can only be solved by an active government.

In this example, taken from the energy sector, the emphasis is on horizontal steering. The government stimulates parties in various sectors to start working together.

However, vertical control mechanisms remain necessary. Insulation norms and the EU directive on blended car fuels raise the bar for the whole sector. This stimulates innovation.

The government is able to govern in the following ways:

- Issue laws and regulations and monitor compliance: this is the best guarantee that free riding is kept to a minimum;
- Set standards: these apply to a whole sector, these are often minimum standards, but also standards including a certain ambition that are feasible;
- Create supervisory bodies, especially where there are great risks or monopolies;
- Protect the weak: sometimes laws are issued to protect weak parties, including parties without voting rights such as future generations, societies without economic power (developing countries), the environment and poorly organised parties;
- Empower the weak: in many cases the government tries to empower weak parties in such a way that they can play a full role in the community;
- Bring parties together: the government is often in the best position to get the different parties around the table and stimulate cooperation;
- Subsidies where the market fails: with well-directed subsidies it is possible to solve chicken and egg problems and

deadlocks, and to stimulate innovations that are not possible through market conditions alone.

Plea for a comprehensive Theory of Governance

Governance questions play a role on each level of organisation: within a family, a sports club or within a company; at the level of the district, the city and the region; within a sector or a chain; at provincial and national level, but also at the European level and globally. In fact, at any level it is possible to find cross-cutting. You can look at the city, but also at the way the borders of the city, the transition between city and the countryside, are organised. It is logical that we are inclined to analyse problems from the perspective of the existing structures. Then, the problems associated with large cities become a focus. However, the changing area between the city centre and the countryside is not immediately visible when you start from the existing structures. This is understandable and, indeed, the governance structures that we have developed were appropriate for the issues that we experienced at the time. How can we ensure a viable city, guarantee good and affordable housing, take care of its economic development, guarantee access to the city centre etc.? We need people with vision, like Geert Mak who described the transformation of the small Frisian village

of Jorwerd¹⁴, where the character of the old village surreptitiously disappeared. Journalists often recognise issues first. Then they become a management issue for the professionals in the field and for researchers in the universities. Politicians interfere. Companies develop ideas. When it finally becomes clear that we have to deal with a governance issue, we are inclined to develop temporary structures. With proven success, new, more permanent, structures will be put in place.

Governance issues play at all levels. Wherever there is a form of organisation, it is necessary to think about roles and their alignment. In many places, governance issues are analysed. The governance issues that are studied are often tied to the context in which they are recognised. However, we see that governance issues in the different contexts have certain similarities. The fact that we use one word, governance, is significant. In my opinion, it is possible to develop a comprehensive theory of governance. It is desirable to bring the different perspectives together and to see what one approach can learn from the others. This will also yield insights into the specific requirements of each context.

For the purpose of such an overarching theory, the concept of 'governance' is

defined as the discipline that deals with the steering or directing of communities. Which arrangement of horizontal and vertical guidance, and which distribution of roles among the various organisational levels, is most suitable for resolving the issues that a community faces? This definition is based on the use of the concept of 'governance' as it is used in the different contexts. There is only value in developing a comprehensive concept of 'governance' if the issues behind it are also similar and will benefit from a more general analysis.

To ensure adequate governance arrangements and to achieve a good understanding of the corresponding division of roles and responsibilities within a community, three main groups of questions have to be resolved:

- How can I ensure the development of an adequate vision? Is the issue recognised? Who are directly and indirectly involved? What do we see as a good solution for the issue at stake? How can we assure sufficient support for those who are directly and indirectly affected? What degree of uniformity with regard to the vision is necessary to ensure effectiveness? What extent of diversity of interpretations is needed to avoid tunnel vision and to keep the dynamics of the issue in mind? How do I take care of the

people that are negatively affected by the decision?

- How can I ensure adequate coordination between all the involved parties, since they all steer to some extent? How does the organisation or community earn the commitment of all stakeholders? This commitment may conflict with the need for competition. Competition, and due to that competition some inefficiency, are desirable for all the parties concerned to keep them sharp. Competition leads to a continuous search for improvement. Competition also leads to loss. Sometimes a lot of energy is put into obstructing.
- How do I ensure a clear division of roles and prevent role confusion so as to guarantee the effectiveness of the decisions taken and prevent them being undermined? How to avoid nepotism, preferential treatment and abuse of dominant positions? The agency issue that is so dominant within the Corporate Governance debate reflects this fundamental governance problem. The corruption issue, that is relevant at both organisation and societal level (Good Governance), is a further example of this fundamental governance issue.

When a group of friends go on holiday together, they too have to find answers to these three questions. They need clarity about what they want to see or do together, how they want to travel and who

does what. That will lead to discussions between the friends about the choices that have to be made jointly. They also want to be assured of the active involvement of all of them. How can everyone contribute to the success of the holiday? Within organisations and within societies it is thus similarly important to find answers to the three fundamental governance questions.

With all three governance issues, it is about the degree of uniformity or diversity that is desired. You need a certain degree of uniformity and consistency to guarantee a workable community or organisation. A degree of diversity is also needed to ensure the involvement of all relevant parties and to guarantee the social dynamics within the system. We are inclined to seek one vision (one definition of the problem and one solution), align actions around a social issue (all facing in the same direction) and a clear division of roles and tasks (who does what). Multiple views and the competition between them can lead in many cases to fruitful solutions. The enthusiasm of many parties is needed to ensure their full commitment. People within organisations must also be capable of fulfilling multiple roles since this guarantees the flexibility of the organisation. Governance is a question of balance. We need to find the right balance between uniformity and ambiguity in the vision, and sufficient alignment of the actions and roles to guarantee sufficient organisational

¹⁴ G. Mak, Hoe God verdween uit Jorwerd (How God disappeared from Jorwerd), Amsterdam, 2002.

flexibility and the real involvement of all the participants. When does competition contribute to the solution of a social issue and when does it become destructive? When do roles become blurred, and when does this create room for abusing one's position?

The corruption issue that my colleague Michel van Hulten tackles reflects some of the core questions facing the governance discipline. Sometimes Good Governance is seen as no more than corruption prevention. How do we ensure that we can trust public officials? Do they use their position to realise the public interest or is it their intention to use it for personal gain or for the gain of friends and family (nepotism)? I define corruption as the abuse of a position to serve, directly or indirectly, one's own interests. Corruption is always about people who have some power which they abuse. The misuse of a position often involves fraud.

Here, I do not want to analyse the concept of corruption, or show the undesirability of it, nor do I want to elaborate upon the manner in which an anti-corruption policy can take shape. I only want to analyse its relationship with governance, and with our search for adequate governance arrangements.

Corruption belongs, as I said before, to the third group of governance issues: how can one ensure a sufficient clarity of roles, and so prevent the abuse of a position, without losing the flexibility that is necessary for a well-functioning organisation? With the introduction of the concept of 'governance', we realise that

other forms of governing exist in addition to vertical organisational forms. What is the effect of a change from vertical to horizontal governance on corruption within a community? What is the impact on the different roles and on the possibility of role confusion? The question is whether horizontal governance also entails a significant or even greater risk of corruption. If more parties steer in the public domain, or within an organisation, then there are more places where positions can be abused. On one hand, one might expect a larger number of governing agents to lead to more people with power and thus a greater risk of corruption. On the other hand, one might expect better checks and balances, diminishing the chances of corruption, at least in a community where corruption is not seen as normal by its members. This leads to an interesting research question: which mechanism will be dominant? In all cases, a shift from vertical to horizontal governance will lead to new forms of corruption.

Another consequence of a shift from vertical to horizontal governance is that the role of the private sector becomes more important on the societal level. When business organisations and civil society organisations accept responsibility for the public interest, it will no longer be possible to restrict the concept of corruption

to public officials and civil servants. It becomes clear that corruption itself is not only a responsibility of the government; that businesses and social organisations also play an important role. Here, governments have a directing role.

This makes the investigation by Michel van Hulten in the area of corruption prevention, and especially his ideas on developing a better way to measure the level of corruption of a society, most urgent. The Corruption Perceptions Index, the method used by Transparency International to determine the level of corruption of a society was of great value in the period in which attention needed to be drawn to the corruption issue. It is now time to develop new methods to measure the level of corruption of a society. We should satisfy clearer and tougher requirements before making statements on the corrupt character of a society. This implies a more sophisticated concept of corruption that includes the roles of the various parties along the complete corruption chain.

Development Cooperation and Governance

The sphere of development cooperation also raises significant governance issues. Here too, we have to consider the question as to the right governance arrangements for bringing the problems associated with development cooperation

issues a step closer to solution. I would like to demonstrate this using some of the issues that play a role in development in Cameroon, a number of which were recently in the news. I especially look at issues where western countries and western companies, and their citizens, have a role to play. Sometimes it is a very direct role; often an indirect one. The cases I want to discuss are the recent pull-out of the World Bank from the Chad-Cameroon oil pipeline project, the illegal logging of timber, the hunger riots in early 2008 and the dumping of cheap pork.

The pull out of the World Bank from the Chad-Cameroon oil pipeline project

In 2000, the World Bank decided to finance a small part of the Chad-Cameroon Petroleum Development and Pipeline Project. The project's purpose was to market oil from the south-west of Chad, through the construction of a 1070 km pipeline through Cameroon to the Atlantic Ocean and the construction of an offshore terminal. An annual production of 900 million barrels of oil was anticipated. For Chad, this project could lead to an annual revenue of about US\$ 2 billion. For Cameroon, the estimated revenue was about US\$ 500 million per year. Indeed, for both countries, this was an enormously important project.

The oil extraction was to be carried out by a consortium of Exxon, Chevron and Petronas of Malaysia. Two other consortia constructed the pipeline and the offshore terminal, a Chadian consortium and a Cameroonian one for both parts of the pipeline. Together, these two consortia owned the pipeline and had operational responsibility for it. The World Bank Group and the IFC (International Finance Corporation, the private finance arm of the World Bank Group) lent the two consortia and the consortium of oil companies around US\$ 400 million in total. The bulk of the financing was provided by a consortium of private financiers, led by ABN Amro Bank and Credit Agricole Indosuez, who were responsible for raising US\$ 3.5 billion, about 85% of the total investments needed for this project. The importance of the participation of the World Bank was mainly that it provided confidence to the private parties.

From the outset, the project was very controversial. When the plans were first developed, Shell was part of the consortium that would invest in oil extraction. However, Shell decided to withdraw, even before the World Bank had taken a decision on the project. Shell was afraid that similar problems could arise as it was facing in Nigeria. There is considerable political unrest in the south of Chad and, with the help of the army, various riots were quelled leading to more than 100 deaths. The separatist movement FARF

claimed that the oil revenues would only benefit the clique around the president. What the wider population thought of the project was not clear. Consultations with citizens by the World Bank only took place under military supervision. Further, the environmental risks were, according to Shell after an investigation by an independent expert, Prof. De Zeeuw, too great. In particular, the risk of oil spillages, increased by the unstable political situations in both countries, constituted, according to Shell, too great a risk. Oil leaks could have enormous implications for fisheries and for tourism. The possible negative consequences of the construction of a huge pipeline for the rain forest and the problems that this might also give to the people living in the jungle, the Pygmies, were also perceived as major risks.

Shell, interestingly, based its decision to withdraw from the consortium largely on the assessment of the project by the World Bank itself: the World Bank report was extremely critical. Nevertheless, the World Bank decided to support the project. For the private financiers this was a signal to get involved. Another oil company, Elf, also decided to withdraw. Chevron and Petronas of Malaysia took the vacant places.

A major motive for the World Bank participating in the project was that the government of Chad has committed itself

to using 70% of the oil profits to benefit the very poorest. The World Bank saw this as a unique project where “the Bank went to great lengths to promote the pipeline as a model for using revenues from high-risk projects to reduce poverty.” Since 2005, oil has been produced and the pipeline in use. Cooperation with the government of Chad was, from the beginning, problematic. Nothing has been seen of the commitment that 70% of oil revenues would benefit the fight against poverty. “The Bellwether for the system was President Idriss Déby’s use of a \$ 25 million signing bonus for re-arming his military, civil society complained heavily. (...) As the conflict in the Darfur region in western Sudan has heated up (...) refugees have spilled across the border into Chad. The Deby government has never been especially stable, and the reinvigorated rebel groups supported, apparently, by the Sudanese government, have markedly increased the turmoil in Chad. But many observers, noting that the conflict has equally been fuelled by the injection of oil revenues into Chad’s treasury, suggest that the pipeline has been less a tool for development than an

incitement to greater instability.”¹⁵ Within Chad, social leaders have criticised the government. Some of them felt they were forced into exile by government threats. The World Bank had its back against the wall: in September 2008 it decided to withdraw from its contract with the Chadian government.

Sustainable management of the rainforest and the fight against illegal logging

In Cameroon, 220,000 hectares are deforested annually¹⁶. According to the World Bank, half of the logging in Cameroon is illegal¹⁷. Illegal logging and the associated timber trade is one of the main causes of global deforestation. Although Indonesia has the dubious honour of having the highest deforestation rate in the world, Cameroon and Brazil are not far behind. Deforestation has a tremendous impact and not only on the country concerned, the effects extend far beyond national borders. Deforestation increases the poverty of people who depend on forest resources. Deforestation also leads to a deterioration in biodiversity, the threatened extinction of plant species and animals such as the

orang-utan and the gorilla. In addition, deforestation is seen as leading to 20 per cent of today’s global CO₂ emissions, and therefore contributes substantially to global warming and climate change¹⁸.

Recent carried out research by Les Amis de la Terre (the French section of Friends of the Earth) shows that it is apparently possible to legally import into Europe the timber cut illegally in Cameroon. The report describes in detail the process of whitewashing the illegally cut wood: from the legalisation of the concessions by fictitious purchases and the fraudulent use of an existing concession, the transportation of the wood to a sawmill and its identification with a company with an export licence, the organisation of a bill of lading, transportation to the port of Douala and export to Europe. The investigation showed that, at each step, many parties were aware of the systematic abuse and even cooperated actively. Corruption played an important role in many steps in the process¹⁹.

Within the timber sector, the FSC label (the Forest Stewardship Council label) has been developed. Companies that commit themselves to the FSC logo agree to a number of requirements concerning their sustainable forest management. They are

also audited as to whether they adhere to the FSC principles. Customers who buy FSC-certified wood are, in theory, assured that the logging is not at the expense of the rainforest or the people who depend upon it.

The EU is also trying to tackle illegal logging. For this purpose, the FLEGT (Forest Law Enforcement Governance and Trade) programme has been developed. The programme is based on a voluntary commitment of the concerned companies not to buy questionable timber.

In the Netherlands, the government is working on a programme for sustainable supply and procurement. Many governmental organisations now require, within their procurement processes, that FSC-certified wood is used. The reality, according to a Friends of the Earth²⁰ research report, is that this is not checked. In the report, a contractor explains how this works: “*Under very fierce competition a tendering process is held. The only criterion for assessing the contractor is the lowest price. The [...] wood supplies for the parts in which wood components are used are only assessed on the contractually required quality and price, not on any other criteria.*”²¹

¹⁵ Bank Information Center: “World Bank announces withdrawal from Chad-Cameroon Pipeline after early repayment”, 12 September 2008, www.bicusa.org, consulted on 1 October 2008.

¹⁶ FAO (2007), State of the world’s forests. Cited in: “Illegaal gekapt hout uit Kameroen op de Nederlandse markt. Een onderzoek naar illegale kappraktijken door Fipcam en MMG en de gerelateerde handel naar Nederland.” Logfile, Milieu Defensie, 2007.

¹⁷ World Bank (2006), Strengthening forest law enforcement and governance. 36638-GLB. Cited in: “Illegaal gekapt hout uit Kameroen op de Nederlandse markt. Een onderzoek naar illegale kappraktijken door Fipcam en MMG en de gerelateerde handel naar Nederland.” Logfile, Milieu Defensie, 2007.

¹⁸ Stern review on the Economics of Climate Change (2007). Cited in: “Illegaal gekapt hout uit Kameroen op de Nederlandse markt. Een onderzoek naar illegale kappraktijken door Fipcam en MMG en de gerelateerde handel naar Nederland.” Logfile, Milieu Defensie, 2007.

¹⁹ Les Amis de la Terre, *Importer légalement en Europe du bois coupé illégalement au Cameroun*. May 2008.

In the private sector, a more positive development is visible. Friends of the Earth annually check out a large number of supermarkets and garden centres. The proportion of FSC-certified wood is increasing: in 2008, 52% of the garden furniture was FSC certified, or was supplied by companies working towards this, an increase from 37% in 2007. Furthermore, there were almost no false claims detected²².

The food crisis

In February of this year a number of demonstrations against the huge increases in the price of food and energy took place in Cameroon. The police intervened violently with between 100 and 200 people killed. Cameroon has not been the only country to witness a food crisis earlier this year. In some other countries, such as Haiti, the acute situation also led to riots. Food prices have increased worldwide and are expected to again over the coming years. This hits the poorest countries the hardest since the proportion of budgets spent on food are the highest.

It is possible to see several causes for the global food crisis. The failure of crops due to drought in Ethiopia, the earthquake in China and the hurricane in Burma in early

2008 were major causes of the food crisis. These are isolated incidents, and such incidents will always happen, that tend to have large impacts on local food prices. However, there are also underlying structural changes taking place in the world. The demand for food and raw materials in China and India will continue to grow and will put more pressure on the markets. You are also beginning to see agricultural land being used for the production of biofuels. As the agriculture and energy sectors become more interwoven, prices will move towards a new equilibrium. This might encourage price increases. It seems likely that the coming years will see more food crises and instabilities. New droughts and other disasters could occur at any time.

Cameroon is not able to meet its own food and energy needs. Cameroon joined the World Trade Organization (WTO) in 1995 and this has led to a greater dependence on foreign countries. "Customs barriers have fallen, forcing small local farmers to abandon cultivating food crops because they are unable to compete with imported produce."²³ According to the Food and Agriculture Organization of the United Nations (FAO), Cameroon imported 300,000 tons of rice and 261,000 tons of

wheat in 2004²⁴. This amounts to the bulk of national consumption. According to the World Bank, it is important that when there are local food shortages that countries do not close their borders to secure the small quantities of food that are available for their own people. However, some countries have already taken such steps. This will, claims the World Bank, result in the entire world market operating inefficiently. Trade barriers will lead to a situation where food cannot be exported from countries where there is sufficient food to countries with a food shortage. They see a reduction in import tariffs as having a more general and positive effect.

It is completely justifiable for the World Bank, in collaboration with the World Food Program (WFP), to take action. Their programmes are largely focused on emergency aid for the poorest regions. The WFP calculated that US\$ 500 million was needed for emergency aid, and the World Bank offered this in the form of loans for food aid to the poorest regions. Emergency aid should, according to the World Bank, ideally not be in the form of delivering food to the problem areas since this will lead to a fall in the price of the locally produced crops and will have a negative impact on inventiveness. The World Bank prefers giving financial

support to the very poorest. This can be done through 'food-for-work' programmes and school meal programmes. The support of the World Bank, especially in the form of relief programmes, increases local prices. Because so much money is pumped into an economy, it becomes attractive to export food to that country and so needs get met. The increased demand not only has a strong impact on prices, it also leads to speculation. Traders and farmers will hold onto their stock if they think that tomorrow's price will be higher than today's. In the medium term, World Bank support will be focused on the development of the agricultural sector in the poorest areas. Thus, the World Bank has almost doubled loans for agricultural programmes in Sub-Saharan Africa to US\$ 800 million. In all the World Bank's operations, account will be taken of corruption. How are loans for food aid spent? Who gets the money in the relief programmes? When large sums become available in a country, especially within a short period, positions with immense power are created and, no doubt, many people will exploit these in their own interest.

Such far-reaching and extensive operations involve a huge risk in themselves and, to be fair, this presents enormous problems for the World Bank. It could be that no

²⁰ Produced by "Milieu Defensie", the Dutch branch of Friends of the Earth.

²¹ Milieu Defensie: "Van oerwoud naar bouwhout. Fout hout in door de EU gefinancierde bouwprojecten.", 2008.

²² Milieu Defensie, "Zit het wel goed? Deel 4." Winkelininspecties en onderzoek naar houten tuinmeubelen in tien winkelketens. May 2008.

²³ See: www.humanite.fr/2008-06-04_Internationalemeutes-de-la-faim-plus-de-cent-morts-au-Cameroun. Consulted on 21 September 2008.

²⁴ This is the last year for which statistics are available.

help might turn out to have been better than helping. Indeed, the market-induced increases in food prices imply an increase in income for the developing countries. Doing nothing, however, is, for a bank devoted to lending, a near impossibility. It is also at odds with our moral sense. If there is an urgent need, we experience a need to help. The downside is that developing countries become increasingly dependent upon western aid. The psychological effect of these aid programmes is enormous. Inhabitants of developing countries will perceive it as normal that, when a disaster takes place, the outside world will help.

Pork dumping

According to the development organisation ICCO²⁵, the Dutch meat industry annually exports millions of kilograms of cheap pork to West Africa including Cameroon. The trade concerns mainly products for which no market exists in the Netherlands such as trotters, tails and other 'minor parts' of the pig. For the Dutch pork industry, this is an interesting market: it becomes possible to earn something from the 'residual waste'. For the consumer in Cameroon this is also good news: pork becomes cheaper. It has, however, dire consequences for the local African pig farmers. Cameroonian pig farmers cannot compete with cheap frozen pork. A large number of pig farmers have

gone bankrupt and the number of jobs in this sector has drastically declined. One solution would seem to be the levying of duties on imported pork by the Cameroon government, and possibly even an import ban as was done earlier with chicken parts. In practice, such a measure is not feasible since the Cameroonian government has trade agreements under which it cannot protect all its markets. If the Cameroonian government protects the chicken industry, this puts restrictions on the options for protecting the pork sector. The Cameroonian government has to choose what products they want to protect.

In Network, a news programme broadcast on Dutch TV, the problem of the dumped pork was raised²⁶. The Minister of Agriculture, Nature and Food Quality, Mrs Gerda Verburg responded almost immediately following questions in Parliament based upon the TV programme. In her view, the solution lies entirely in the hands of the Cameroonian government: the trade agreements do allow a restriction on the import of pork and this protection is possible without any problems for other markets²⁷. According to her, the Cameroonian government can increase import tariffs on both pork and chicken. Moreover, according to the Minister, only very small quantities are involved. The entire annual

EU exports of pork to Cameroon amount to only 1.5 million kg and therefore the reason for the poor conditions in the Cameroonian pork sector must lie elsewhere: "other factors underlie these low prices of pork meat such as the low level of world prices, the increased feed prices, the poor infrastructure, outbreaks of animal diseases and not enough investments in agriculture in general."²⁸

Development Cooperation and Governance

The topics discussed above involve difficult governance issues. Is it reasonable to expect that projects such as the Chad-Cameroon Oil Pipeline Project can really favour the poor without a good societal infrastructure? Is it possible for such a project to succeed without abandoning the interests of many parties? Another question is whether the poverty reduction requirements of the World Bank go beyond what one should expect from a bank - is this not a form of paternalism? Is it not understandable that the Chad government tried to rid itself of these requirements as soon as possible?

Many people in Cameroon have little concern for the rainforest. Large projects funded by the World Bank also pose great risks for the environment. Who are western people to criticise the Cameroonians? Even if it is possible to prescribe norms, based upon global interests such as climate change, will these norms be effective given the fact that many parties in Cameroon are involved in illegal logging? Is it realistic to rely on voluntary measures by companies and the public concerning the purchasing of timber in Europe? With regard to the hunger issue, you can ask whether the remedy that the World Bank promotes, the market economy, will provide the solution that is needed. Of course, if food prices increase, this will strengthen the agricultural sector in developing countries in the longer term. In the short term, however, the developing countries have to pass through a deep valley. The question is whether there is sufficient support for this within these societies, or will this lead to political instability? Turning to the pork exports: should you expect Dutch meat exporters to contribute to solving the hunger problem in Cameroon? In addition, how should we balance the different interests within

²⁵ See: www.icco.nl/delivery/main/nl/doc.phtml?p=Nieuwsoverzicht&index=1329. Consulted on 21 September 2008.

²⁶ A TV news programme shown by EO (an Evangelical broadcasting organisation) on 2 September 2008.

²⁷ There are two trade agreements that are relevant: the WTO and the interim EPA (Economic Partnership Agreement). The latter is an agreement between the ACS countries (Association of Caribbean States: Africa, Caribbean, Pacific) and the EU. Both treaties include the possibility of imposing import levies on both pork and chicken. See: Letter from Mrs. G. Verburg, Minister of Agriculture, Nature and Food Quality, to Parliament, 11 September 2008. See: www.minlnv.nl. Consulted on 21 September 2008.

²⁸ See the above mentioned letter from Mrs G. Verburg, Minister of Agriculture, Nature and Food Quality, to Parliament, 11 September 2008. See: www.minlnv.nl. Consulted on 21 September 2008.

Cameroon? The consumers have an interest in low food prices. It is protecting the pig farmers that makes the levying of tariffs on pork an issue.

The theme of corruption, the abuse of a powerful position, plays a role, directly or indirectly, in several of the described issues. What should one expect from a developing country in addressing corruption in its own country? Should, and how can, western countries and companies contribute to solving the problem? Those who ultimately pay the bribe, are they as responsible as the civil servant who asked for it in the first place?

Indeed, these are a number of difficult issues. It is valuable to understand these issues against the background of developments in the Netherlands and other Western countries. Here, I have especially the Dutch situation in mind.

In the field of development cooperation, a shift in responsibilities has taken place. In the 1980s and 1990s, development cooperation became more and more a matter for the big development organisations. With the financial support of the government, all kinds of wonderful projects were realised. From the standpoint of effectiveness and efficiency, this was all very understandable. Development cooperation went well, but at the expense of involving society in the development

cooperation projects. Recently, the Dutch government has made a policy change: the 'closed shop' was opened. No longer are only a limited number of so-called co-financing organisations able to receive funding from the Ministry for Development Cooperation. Other organisations are able to apply, and an important criterion in qualifying for government funds is the extent of private financing. Therefore, only organisations that can count on wide financial support from society can anticipate government support.

Many private initiatives have started. Companies have started their own development cooperation projects. Through trial and error, companies learn how to do this. When you start a project, you have to be careful not to attract the qualified people in the host country who are already employed by local governments, social organisations or companies. You should be careful not to destroy the local market by giving away products or building houses for free. The big question for the Dutch government is how to ensure effectiveness and efficiency, and prevent abuses, without taking away the responsibility. Many private initiatives work alongside each other. One also cannot deny that a lot of money is wasted due to inability and inexperience. When there is wrongdoing in a project, such as fraud, it will receive large coverage in the media and much public debate. This will have

negative impacts on other projects as well. Is the government able to facilitate such developments and prevent abuses while ensuring efficiency and effectiveness?

When it comes to spending public funds, there is a tendency to focus on the efficient and effective use of resources. This forces development organisations to set goals, and then to demonstrate that these goals have been achieved. There is a real risk that such result-oriented governance by the Dutch government leads to a centralist approach in development cooperation, which is at the cost of involving local parties in developing countries.

This is also, and perhaps more significantly, at stake with the loans from the World Bank. Local leaders are very interested in obtaining such loans, and readily accept the requirements concerning a result orientation. One can question to what extent such agreements really reflect what is actually important and what the real local possibilities are. What projects would the local population really want to invest in, and which would provide enough return to justify that investment?

Another pressing issue is relevant. So far, there has been a taboo on cooperation between the government and business concerning development cooperation. In particular, any form of tied aid has been rejected. The view is that development

cooperation should not be a disguised form of support for one's own businesses. Development cooperation should focus on the actual development problems of third world countries. Nevertheless, more and more companies are starting development cooperation programmes, often in cooperation with development organisations. TNT's programme with the UN World Food Program is a good example, but there are also many other small programmes. Just after the 2004 tsunami in the Indian Ocean, many companies started their own aid programmes. Development organisations and businesses actively seek forms of cooperation. For the development organisations, this is an attractive way to access private funding. However, companies are not philanthropic institutions and they draw on the experience and contacts of the development organisations. In one way or another, they seek to advantage their business. This is sometimes in the form of developing the potential of their own staff, other times the companies aim to create a market, and hope that this will bear fruit in the longer term. The role of western financial institutions in the development of microcredit is a good example. In this form of development cooperation, the business case is particularly sought in the development of future new markets.

Horizontal governance in the coffee chain

An example of horizontal governance within a chain is drawn from the coffee industry. A few years ago there was much critical attention from NGOs on the conduct of the major coffee roasters in the coffee-producing countries. All the major coffee roasters such as Nestlé, Procter & Gamble, Jacobs and Sara Lee/Douwe Egberts were approached by action groups. In 2003, coinciding with the 250th anniversary of Douwe Egberts, action groups even went on a birthday visit to the management of the company. “Douwe Egberts celebrates its birthday, but when does the party start for the coffee farmers?” asked the action groups. They handed the Executive Board a petition. On behalf of 40,000 people, they asked the coffee roaster to pay a fair price for coffee beans bought from farmers in developing countries. According to the NGOs, the ‘Fair Trade/Max Havelaar’ approach shows that this is possible: by buying directly from coffee growers it is possible to circumvent the brokers and to ensure the coffee producers receive a fair price.

The ‘Fair Trade/Max Havelaar’ label guarantees that the coffee is produced by cooperatives and individual coffee farmers identified as meeting certain standards by Fair Trade. The buyer pays a guaranteed minimum price and a bonus that is used

for development projects that will benefit the whole community.

For the NGOs, the rights of the coffee growers are especially important. They are the weakest link in the coffee chain and deserve protection. The large coffee companies, however, refer to the fierce competition claiming that no company will be able to survive if consumers are unwilling to pay for the added value of ‘fair’ coffee. The Fair Trade coffee ends up serving a niche market. When you are targeting the mass market, this approach is not possible. It is not only about consumers’ willingness to pay above the market price, it is also about maintaining the familiar taste for the consumers. If you have a large market share, you need flexibility in your purchasing: in order to ensure a consistent taste you have to be able to buy the coffee beans that will produce the right blend. The forced purchase of coffee from a limited number of farmers might mean that you have to make concessions in the quality of the coffee. Consumers are very sensitive to coffee taste and buy a particular coffee because they like the flavour, not because of the price that is paid to the farmers.

With coffee, there is another fundamental problem as well. As a result of the emergence of new coffee-producing countries such as Vietnam and the large-scale production in countries like Brazil there

is currently an overproduction of coffee. This puts enormous downward pressure on the price of coffee. If coffee farmers, and especially the larger ones, were to be guaranteed a minimum ‘fair’ price, this would amount to an incentive to increase production still further. The outcome, especially for coffee growers lacking contracted purchasers and depending on the coffee market, might be a collapse in the market price of coffee.

In order to avoid this danger, a new ‘responsible’ label was created, Utz Kapeh, which aims to ensure that the market mechanism is maintained. The coffee producers who have acquired this label guarantee that they have obtained the coffee in a responsible way. The requirements that they have to meet are precisely defined, and they are audited on their compliance with them. In fact, the coffee roasters that purchase Utz Kapeh coffee set, besides quality criteria, also sustainability criteria. These define an additional requirement for the coffee they buy. In this way, a new market has been created: one for Utz Kapeh certified, and therefore sustainable, coffee. For this market, a special price can be charged.

A further interesting development concerns the 4C initiative: the Common Code for the Coffee Community. This initiative involves all parties in the coffee chain:

governments of coffee-producing countries, cooperatives of coffee growers, labour unions, trade companies coffee roasters, consumer groups and NGOs. The Cameroonian company Soprocpcam is a member of this initiative. The aim of the 4C initiative was to develop a shared vision of the issues facing the coffee growers, and the outcomes are now enshrined in a code. The code includes social, economic and environmental criteria. All companies that are members of the 4C initiative are obliged to comply with the code, and they are audited to ensure compliance. The code defines minimum standards for the whole sector. For example, the code protects children against exploitation, although child labour is not expressly prohibited. If children are used in the harvesting of coffee, the farmers must ensure that this is not at the expense of their development and health. Precisely because the 4C code sets a minimum standard, it makes it possible for all the companies in the coffee sector, from price fighters to the top brands, to join. It effectively imposes a bottom line in the market. Many of the involved parties find the standards insufficient. Interestingly, the top brands of coffee roasters now want to distinguish themselves from the 4C initiative. They want to do more than adhere to the minimum standards, and to be recognised for this.

For example, the Sara Lee/Douwe Egberts brand distinguishes itself by buying Utz Kapeh coffee. In 2004, they committed themselves to purchasing 2.5 million kg of Utz Kapeh coffee, and indicated that the quantity would grow over time. They also established the DE Foundation which has launched projects aimed at helping farmers in the coffee-producing countries. By training coffee growers, the foundation hopes that these farmers become less dependent on coffee production. These training projects are also focused on the quality of the coffee and on improving the labour conditions of the farmers and their workers. In a further action, Sara Lee/DE launched a special label, Coffee Alliance, which is targeted at large organisations and companies, the B2B market. Coffee Alliance coffee is made from beans supplied by those farmers who participate in the projects of the DE Foundation and coffee bought directly bought from other responsible coffee growers. The surcharge paid by the large customers goes directly to the Foundation and so benefits the projects.

It is interesting that Sara Lee/Douwe Egberts has not launched the Coffee Alliance concept on the consumer market. Douwe Egberts, as an A-brand, wants to deliver top quality. This requires sustainable practices: coffee that is grown with care is of better quality. Quality thus involves good working

conditions. Further, the brand should not be a topic of public debate, or linked to social criticism. Launching an additional label highlighting sustainability and responsibility might raise questions about other products of the same brand, and even questions about its quality. Instead, by gradually increasing the use of Utz Kapeh coffee, the A-brand itself can also be perceived as encompassing sustainability.

The marketing of sustainability also raises problems. Nestlé has chosen to enter the consumer market with a special sustainable coffee brand, with the Fair Trade label, for which it has received a positive public response. Nevertheless, Nestlé finds it difficult to obtain shelf space for this new brand in supermarkets. Supermarket chains reserve their shelf space for those products with the highest turnover and the highest profits.

In another twist, Sara Lee/DE was disappointed that, in a procurement procedure, the province of Groningen expressly demanded Fair Trade coffee, effectively making only Fair Trade certified coffee eligible. DE opposed the procedure but the courts sided with the province. Since there are several providers of Fair Trade coffee, the court viewed the procedure as not contravening a free market.

The discussion on sustainable coffee has shifted from a defensive perspective, fair compensation for farmers and preventing environmental damage, to a proactive and positive approach, contributing to strengthening the position of coffee farmers in the coffee market. Such an approach requires companies to cooperate with NGOs, consumers and governments in the North as well in the South. Such cooperation can only be achieved when the coffee roasters feel themselves responsible for the economic position of the coffee growers. A willingness of the coffee farmers to change, and to be better prepared to enter the market is also a prerequisite. NGOs have to be willing to adopt a long-term perspective. They need to realise that the 4C code is no more than a triple bottom line for the coffee market, that it is a beginning and that the whole sector will make step-by-step progress. The role that governments play is also important and the 4C initiative includes governments from both coffee-producing countries and western countries. They may, where necessary, invite key parties to sit around the table and, if necessary, assist weak players and adjust regulations. Equally important are the roles of consumers and of supermarkets that are in direct contact with the consumers. If supermarkets do not offer shelf space, then products are not sold and consumers

remain uninformed about the options and differences among the various coffees. This is necessary if new products are to have a fair chance in western markets. In short, to increase the sustainability of the coffee chain requires cooperation between a multitude of parties who all have a specific role to play. How do you get these parties around the table, and how can we ensure that several parties, at more-or-less the same time, take steps towards a more sustainable coffee chain?²⁹ The 4C initiative is a good example of how this can be done.

Lessons for development cooperation

The 4C example shows that horizontal governance within a chain is possible, even in situations where this involves working beyond national boundaries. It is also clear that the supporting role of the authorities, especially as partners in the process, is crucial for success.

Horizontal governance is an approach that can be used in many situations in the field of development cooperation. The food crisis and the problem of pork dumping could be addressed by the Dutch Ministry of Development Cooperation, together with the Ministry of Agriculture, Nature and Food Quality, the Cameroonian

²⁹ See: M. Kaptein and J. Wempe, *De Open Onderneming*, (31 2003, 03). ERIM Report Series Reference No. EIA-2003-16-ORG.

government and other Central African and West African governments. Dutch companies, local businesses and NGOs, as well as Cameroonian and other African businesses and NGOs have also to be involved. As in the coffee sector, it is possible to develop a vision of what is currently seen as problematic and how these problems can be solved. Perhaps it is possible to formulate a code that describes the basic principles underpinning the cooperation. Perhaps it is possible to launch projects in which governments, businesses and NGOs cooperate. The World Bank could play an important role by stimulating such cooperation. Moreover, the Ministry of Development Cooperation could play a wonderful role, and one that is radically different from its traditional one. Thinking in terms of effective utilisation of resources, forces one to think in terms of vertical governance, and this takes the responsibility away from the involved parties. In the Netherlands, the Sustainable Trade Initiative (Initiatief Duurzame Handel, IDH) has recently started. The IDH is a multi-stakeholder initiative involving industry, trade unions, development and environmental organisations and the government. The IDH aims at increasing the sustainability of international trade and product chains through the actions of those in the chains themselves. Monitoring will also play an important role. A key motto of the IDH is “doing instead of talking”. There are already four partnerships and

improvement programmes have started in the soy, timber and forest products, cocoa and natural stone sectors. These are to be followed by the tea and tourism sectors with a large number of companies and organisations already committed to participation, including ones from both the North and the South. The IDH is an example of a step-by-step approach in which new governance arrangements in development cooperation can take shape. This approach does not make the more traditional vertical approach superfluous, but rather supplements it. During the multi-stakeholder meetings, it can become clear in what way government can contribute to solving problems in the chain, and this might well include vertical instruments.

One weakness of the IDH is that it focuses heavily on activities in the South. How can Northern organisations contribute to the development of the South? How can cooperation be fostered? If sustainably produced products from the South do not get shelf space in Northern supermarkets, the opportunities for real improvement will be limited. This is not a call for charity from the supermarkets, it is important that companies at the beginning of the chain understand the desires of supermarkets and consumers at the other end of the chain.

Summary and conclusion

I hope to have shown that it is desirable to develop a comprehensive theory of governance.

Governance deals with the question of what are the most suitable arrangements for addressing social issues. This includes the most appropriate combination of vertical and horizontal ways of steering. Horizontal governance is not always preferable to vertical direction; sometimes vertical forms of governance need to dominate. There will always be tensions between the different forms of governance.

Governance issues are present at all organisational levels: at the level of society, and also at the level of a company, a chain, a sector or a district. There are also interactions between these levels and, in this respect, we use the concept of multilevel governance.

There is also a dynamic in social issues. This affects the appropriate governance arrangement; the preferred arrangement will change with a change in the social issues that a community has to solve.

A general theory of governance must answer three fundamental questions:

- What vision is shared surrounding an issue?
- What is the best way to coordinate the actions of the concerned parties?

- How can we clarify the roles and tasks of the parties involved?

In answering each question, we need to find a balance between diversity and uniformity. We are inclined to seek a single vision (one problem definition and one solution), to coordinate the actions of people and organisations around the social issue (all noses pointing in the same direction) and to formulate a clear division of roles and tasks (who does what). However multiple visions, and the competition between them, can show alternative roads to take, and flexible roles in many cases can lead to fruitful solutions.

The key in resolving the governance issue is to decide what combination of governance methods best fits an issue: in which situation is competition desirable, when should we rely on societal organisations or less structured forms of social cohesion, and where do we need more vertical forms of governance?

It is the role of the government to ensure that conditions exist within which competition can take place. This sometimes requires vertical and sometimes horizontal forms of governance.

Governance also plays an enormous role in the field of development cooperation. Here too, we can opt for a mix of vertical and horizontal governance. Especially for

crossborder issues, horizontal governance can work well. Private parties, including businesses, can play a role as the 4C example showed.

It is uncertain whether involving a large variety of governance arrangements, and having parties perform a number of roles, increases the risk of corruption. It is possible that a larger number of parties with governance power will create more opportunities for corruption. However, mutual correction might lead to a decrease in corruption within a community.

Governance as a research theme within Saxion

Research at the Universities of Applied Sciences must be *close to the practice*. The aim of research at these institutions is to bring the issues facing professionals a step closer to solution. This research is also important for the *education* at our schools. Our students are the professionals of tomorrow. Therefore, we need to prepare them for the issues of tomorrow. Indeed, they should learn to be able to spot emerging issues and develop skills for dealing with them. Research also contributes to *keeping our teachers up to date*. For them it is of great importance that they are able to monitor new developments and that they play a role in the search for solutions. Beyond having a good view on professional practice in the field, the teacher-researchers also

need to have an overview of the *scientific developments*. A link between the research at the Universities of Applied Science and the scientific developments in general is a must.

The enormous changes in the field of governance require thorough investigation by researchers and justify a place in education. That is the task accepted by my colleague Michel van Hulten and myself. Fortunately, much is already done; a number of themes have now been crystallised and will be further developed in the years to come.

The Saxion University has every chance of developing a robust research programme in the area of preventing corruption and improving integrity. Michel van Hulten, Frans Eijkelhof, Nora van der Meulen, Patricia Wiebinga, Marleen Veldhuis and Jos Lippmann are now working in this area. There is research being done in the area of integrity policies within the municipal administrations and the water boards. We are also looking at corruption in sport. Michel van Hulten is advising the Cameroonian government on the development of a policy for corruption prevention at the national level. Under his leadership, we assisted at a wonderful event in Athens where the Prime Minister of Cameroon presented the proposed approach. This was discussed in a debate with specialists from all over the world. Under the leadership of Michel van Hulten, the situation in terms of preventing

corruption and improving integrity in the Netherlands was described. We would like to do research into methods for measuring the level of corruption in a society. A proposal for such a research project was just described by Michel van Hulten in his inaugural lecture. Next year, all second-year students of the School of Governance and Law will follow lectures on the theme of corruption prevention and integrity improvement. A three-year programme will be developed and, each year, all the students will attend one of its modules. We have the ambition that this issue will receive attention in all the courses run at the Saxion University. In short, we are working on a strong research and education programme on corruption prevention and integrity improvement.

Elly Straatman and Dominick Woltering are working on an exciting programme centred on the issues of *urban renewal*. How can an interactive and integrated policy be shaped in this area? I find the cooperation with my colleague Professor Theo de Bruijn, and his team very promising. Theo already has an established research programme in this area and is greatly stimulating the cooperation between our two teams. Elly Straatman works with a number of highly valued partners, and I would like to especially mention Martin Schuttert, from the municipality of Deventer, who is a very inspiring official who, for many years, has been responsible for highly innovative neighbourhood development projects.

Maurits Sanders and Anouk Breukers are working on a programme focused on new forms of cooperation between governments and private parties. Maurits, who is preparing a PhD thesis in this area, will focus his research over the coming year on large infrastructural projects. All kinds of restrictions on forms of *public-private partnerships* lead to missed opportunities for sustainable innovation. Through Maurits Sanders, I also work with Michiel Heldeweg of the University of Twente. Michiel, I hope that we can develop this cooperation further.

With my colleagues Wim Gilijamse and Menso Molag, I am preparing a programme on sustainable energy, and especially about the use of biomass. The new administrative arrangements that will need to be designed are, for me, especially of interest. Here, I find the collaboration with Gerrit Dijkman and Inge Geerding of Twente very stimulating. The bio-energy park that we are working on together offers wonderful opportunities for the region of Twente, for the Saxion University and for the cooperation with the University of Twente.

Together with my colleagues Paul Bijleveld and Tanja Abbas, I am working on a method for interactive scenario planning since the new governance arrangements also require new methods for vision development and policymaking. Here, we work

closely with the municipality of Deventer where Arno Groenendijk is a valuable and highly creative partner.

Finally a few words of thanks:

First of all, I want to thank my wife Annemarie Lub, my children and my family. They have been for me, especially in difficult times, a huge asset.

I wish to thank Michel van Hulten for his tremendous efforts. What energy you radiate. I find it extraordinary that you have gone back to your old profession, academic research, and that you are willing to put your energy into the Saxion University. You play a key role in the development of a research and education programme on corruption prevention and integrity improvement. Thanks for this, and I look forward to our cooperation over many more years.

From my fellow professors and members of the steering committee of our Centre for Urban and Environmental Design, I sense a great willingness to cooperate. This concerns not only the professors in our knowledge centre, but also a number from other centres. We may be proud of our achievements to date, but there is still a long way to go. Wilbert Rodenhuis, I want to mention separately. You have helped me to get to know the Saxion organisation. You can occasionally grumble at length and

sometimes you are chasing employees in fear of their lives. But those who know you well see your enormous commitment and your good heart.

I also would like to thank the management, researchers and teachers. We are still a long way from establishing a genuine research culture, but that is understandable. Research is relatively new to the Universities of Applied Sciences but I have observed a great willingness to work together on this. I intend to put much effort into this and hope for your support.

I find the role that Dick Sweitser plays special. You offer your colleagues, including myself, much appreciated space. You perceive your role as director of the School of Governance and Law as one of helping your team to deliver good work. I appreciate your support very much.

Finally, I would like to thank the Board of Directors. In particular, my direct contacts with Wim Boomkamp I find both stimulating and very pleasant.

It is with much pleasure therefore that I accept the Chair of Governance.

Thank you.

Prof. dr. Jan Pronk



Governance as a Development Issue

Is it possible or even desirable to develop a comprehensive theory of governance? In his inaugural address, Johan Wempe has answered this question positively. He even argues that such a theory will reflect the guiding principles of communities in general. Wempe does not refer to the concept of a 'theory' as an objective body of analysis, but rather as a normative

system. His objective is not to explain processes of governance, or the factors that determine decisions during such a process, and their social, political, economic and cultural environment. Rather, Wempe aims at developing a set of norms and yardsticks for governance that would be applicable everywhere. That is, provided a process of governance met such criteria, the outcome would be desirable in terms of effectiveness and efficiency.

So, the basic question is, what is the best way to govern? Wempe makes a distinction between this question and another one: what is the best government? The latter question concerns institutions. Wempe, however, is interested in processes, including the relationships between various institutions in a community. So, the question can be reformulated as follows: what is the best steering or guiding mechanism in a community, whether it be a country, a municipality, a firm, a school etc.?

In his address, Wempe has covered a large area, from corporate governance and spatial planning to international development cooperation. He has not limited himself to one specific discipline, namely management theory. He has also made reference in his address to, for instance,

business economics, political science and international relations theory. Such a multidisciplinary approach is indeed necessary if one is seeking a general and overarching theory.

Developing such a theory is very ambitious. I will argue that it may be over ambitious. In my view, a comprehensive normative theory of governance is neither possible nor desirable. If it were possible to develop some general criteria for good governance, applicable in all communities, they would be utterly abstract, based on heroic assumptions, and this would render the theory not meaningful as intended, but rather empty.

Wempe is aware of the potential limitations of such a theory. He argues that, wherever there is a form of organisation, it is necessary to think about roles and their alignment. He then rightly states that the governance issues that result from these roles and alignments vary according to the context of the community concerned and of its organisation. I venture that, next to the context, also the nature of an organisation and its size are two significant factors. A company principally busy producing one major commodity such as oil will require different governance procedures from those in a nation where all the citizens are striving for different blends of elements that together form their personal welfare. A

large transnational company may similarly benefit from different governance procedures than a small domestic firm. A large country such as India will require different methods of decision-making than its tiny neighbour Bhutan. However, notwithstanding these limitations, Wempe argues that governance issues in different situations have certain similarities. In his opinion, the various perspectives should be brought together and the different approaches should try to learn from each other.

This is a laudable undertaking. Communities should try to learn from each other in order to avoid mistakes and to enhance the effectiveness and efficiency of the processes within these communities and the quality of their outcomes. However, as Wempe himself has sensibly cautioned, "there is only value in developing a comprehensive concept of 'governance' if the issues behind it are also similar and will benefit from a more general analysis". Indeed, but this implies that the greater the dissimilarities, the less value there is in developing common guidelines for governance.

Let me illustrate this by following the line of reasoning in his address a little further. Wempe makes a distinction between vertical and horizontal guidance, that is guidance from the top of an organisation – for instance at the level of a government

or a central command – downwards and, on the other hand, guidance based on exchanges between different actors that are not subordinate to each other in a hierarchical system: “the parties involved steer each other”. This distinction gives rise to the following reformulation of the research question: “Which arrangement of horizontal and vertical guidance, and which distribution of roles among the various organisational levels, is most suitable for resolving the issues that a community faces?”

In order to answer this question, Wempe argues that three main issues need to be resolved. First, there should be an adequate vision. In other words, in a terminology different from the one used by Wempe, that there should be a common understanding and a clear definition of the objectives of the various actors within a community, a shared welfare function for a society or a common mission statement for a company or corporation. Only when this is the case, can agreement be expected regarding a possible solution for a problem or, in other words, consensus reached regarding the direction in which the process of decision-making should steer.

Second, there should be adequate coordination between all the parties involved, and a commitment by all stakeholders to the common values implied in the

adoption of a common objective or in the endorsement of the mission statement.

Third, in order to guarantee the effectiveness of the decisions taken, and to prevent them being undermined, there should be a clear division of roles: no role confusion, no abuse of dominant positions and no corruption, nepotism or preferential treatment.

The limitations of a general theory

These are sound principles of management, always to be striven for, in any society and any organisation. However, it is still a far cry from a general and comprehensive theory of good governance. The problem is that in most societies none of the three conditions are met. There is neither a common objective, nor a common commitment, nor a clear division of roles without any abuse of power. That this is not the case in Cameroon, the country that is the central object of study in the second lecture of today, by Michel van Hulten, will be self evident to most of us. However, I venture that none of the conditions are met in any country, including the Netherlands, nor in international organisations, and that any society or community, be it a firm or a university or whatever, can be characterised more by discord than by unity of purpose and commitment.

The real question for a general and comprehensive theory of governance should therefore be what to do in cases of such discord. The question is not how to prevent such discord per se, but how to avoid the discord resulting in chaos, in bad governance, in steering in the wrong direction, and achieving results that are in clear contradiction to any reasonable and possible common welfare objective.

Wempe offers three ways out.

First, he pleads in favour of a combination of horizontal and vertical governance. This goes beyond ideology and I very much agree with Wempe’s plea against the ideological usage of the term governance as against government per se. He strongly argues against the view in which government is seen as an outdated and obsolete way of governing. The ideological usage of the term governance results in a definition of the concept as a purely horizontal steering mechanism that is applied jointly by private business and civil society, guiding the market and the nation, leaving only a minimal role for any form of government. Governance, in this view, supersedes ‘government’. Horizontal control is better than hierarchical control, or at least that is the claim.

For about twenty-five years, this has been the neo-liberal paradigm underlying economic governance across the world. As with any one-sided approach, this

ideological choice has caused more harm than good. Wempe rightly argues that any vertically oriented control measure takes responsibility away from those who are directly involved and leads to a rigid control and monitoring system, and to excessive bureaucracy. On the other hand, however, horizontal steering can lead to hazy responsibility and to activities that overlap, compete and conflict with each other and, consequently, to large inefficiencies. Corruption is just one example of such inefficiency.

In Wempe’s view, the introduction of this ideologically coloured definition of ‘governance’, in which government more-or-less disappears and all hope is invested in the market or the social field, is a weakness. This interpretation of the term ‘governance’ also implies normative choices. When the term ‘governance’ is used, it appears that a choice is being made against the concept of government. Instead, Wempe calls for a neutral use of the term ‘governance’, covering both horizontal and vertical steering modalities. However, Wempe goes further, not only arguing for a sound, non-ideological definition of the term ‘governance’ in governance theory, but also for a combination of the two major categories of steering mechanisms in governance practice.

In order to resolve social issues, various governing arrangements should be used

alongside each other. No tool that could be used in order to solve a social issue should be rejected in advance. Alongside horizontal forms of steering, forms of hierarchical and central control could also be included. It all depends on the issue to be addressed.

Second, Wempe pleads for diversity in the development of views concerning the desirable outcome of a societal process, and the direction to be taken in order to solve problems. One can go even further than this: competition amongst parties and participants in a process may help to keep them sharp and oriented towards innovation. Although this may divert attention from notions of full and common commitment, such diversity may well be beneficial in attaining a common cause.

As the third element of a comprehensive governance approach leading to a result desired by participants in the process, Wempe refers to the need to ensure a balance between uniformity and diversity: "Governance is a question of balance". The right balance has to be found between uniformity, consistency and ambiguity in the vision. It is also a matter of finding the right balance between alignment and competition. It is all a matter of degrees. A process of governance should allow flexibility, in order to keep the system of decision-making and implementation workable, and to ensure the social dynamics.

We are inclined to seek one vision (one definition of the problem and one solution), an alignment of actions around a social issue (all facing in the same direction) and a clear division of roles and tasks (who does what). However, multiple views and the competition between them can often lead to fruitful solutions. People within organisations must also be capable of fulfilling multiple roles since this guarantees the flexibility needed within an organisation.

However, what is a good balance? One may agree with all the three recommendations but still not see this as a general and workable normative theory of governance. The three recommendations leave some major questions unanswered. For instance, will there be limits placed on the diversity of views concerning the 'vision', or could different views be expressed throughout the process so that a full consensus will never be reached? If so, then there is no general theory. If a general theory of governance implies the need to continuously exchange and confront views during a steering process, then the applicability of such a theory is rather limited.

Another question concerns the combination of horizontal and vertical steering. Both mechanisms are useful; they can complement and influence each other. However, where should the lines be

drawn in a specific organisation? It is clear that a military peace operation requires a strong hierarchical structure, unity of vision, full commitment, no competition, unity of command and control. Meeting the objectives of a university, in the sense of creating and exchanging knowledge, requires maximum freedom for researchers, teachers and students. Wempe provides numerous examples himself: markets for consumer durables, systems of international development cooperation, health care systems, energy markets, private business corporations and so on. All of these require a market-, society- or corporation- specific approach to questions of governance. There is no general rule, and if there was to be one it should be this one: never choose an extreme - neither a central and rigid ideological opinion, nor endless and chaotic diversity - that is, neither complete and absolute centralisation, nor the anarchy of everyone for themselves.

However wise or obvious this may seem, it does not help in determining the best governance procedure in a specific setting. Is it possible to develop some further criteria that would help in identifying an optimum position between the extremes?

The optimum regime

Jan Tinbergen, the first winner of the Nobel Prize in the economic sciences gave much thought to this problem. He developed a theory on the optimum regime, or the optimum economic order. In this theory, the terms 'regime' and 'order' have the same meaning as 'system'. Tinbergen developed his theory as an economist, but his models are so general that they could, in principle, also apply to other systems of decision-making. His methodology originated in welfare economics, and is often labelled as welfare theory. He developed a number of general criteria to determine the optimum level of decision-making in the sense of maximising social welfare. To determine what constituted social welfare and what should be done to maximise this, Tinbergen had to make some explicit assumptions about what Wempe has called a 'vision'. Tinbergen developed a set of criteria for the determination of roles, and for the degree of coordination between them. (Here I am using Wempe's terminology, rather than Tinbergen's, but the questions which they address are more-or-less the same). He based these criteria on the conditions under which social welfare could be maximised. Such conditions included the absence or the complete internalisation of external effects, the containment of factors that may give rise to the emergence of a monopoly, and full market information being available to all parties.

Tinbergen presented his models as building blocks of a general theory. However, their general applicability relied on abstractions. The concept of power (other than possible monopolistic power) did not play a role. Nor did the theory deal with cultural factors, which of course may differ dramatically between countries. So, although it was a rather sophisticated theory, it was by no means a comprehensive one. If a theory concerning governance or decision-making is to be generally applicable and comprehensive, as well as meaningful, essential factors cannot be left out.

Power and culture are essential factors in theories concerning governance. In trying to incorporate these factors in a theory, we might benefit from insights gained by other disciplines, such as political science, cultural anthropology or the behavioural sciences such as psychology. Such insights might help us understand not only in which realm decisions could best be made (the public sector, the market or the realm of civil society), or what would be a better level for decision making (more or less decentralised), and how to coordinate levels and realms but, moreover, how decisions are made in a given level and realm of decision-making.

Is this important? Yes it is, because if anything differs amongst societies with different cultures it is the way in which

decisions are taken. There are differences between rural and urban communities, between crop cultivating and cattle keeping communities, between settled communities and nomads, between agrarian, industrial and service oriented societies, between communities of endogenous peoples and migrant communities. There are differences between traditional societies and nations with full access to modern information and communication technology and a highly educated population. Further, differences exist between tribes, between castes and between religious groups. Differences exist between matriarchal and patriarchal communities, and between communitarian societies, communities with the extended family as the main constituent, and societies focused on the roles and rights of the individual. Such differences may concern issues such as the rule of law, traditional justice, land tenure systems, property rules, gender relations, social security, the position of elders in society and the relationship between people and nature. All these differences have a bearing on the way in which decisions are made. They exist. They cannot easily be changed. Efforts to change them, or to quickly bring them into line with modern Western modus operandi, are doomed to fail. Such efforts may even be counterproductive, leading to greater discord and less commitment.

For all these reasons, attempts to design a general comprehensive normative governance theory will not serve a purpose. The purpose should be to design better governance procedures for specific countries, communities and organisations. In my view, this goal could be accomplished by being very specific from the outset, and by designing steering procedures that suit individual situations. Does this mean that any more general effort would be pointless? No, because the more that is known about the shortcomings of an overarching theory, the more profound the insights will be into specific situations. Moreover, it would make sense to agree on general values, not with regard to levels and realms of decision making, nor concerning participant's roles and the coordination amongst them, but with regard to the way in which decisions are made and their possible outcomes.

My plea would be for research on governance to especially focus on questions of equity and human rights: more equal access to decision-making processes, more equal distribution of the welfare produced as a result of these decisions, and a better guarantee of the human rights of individuals as well as of minority groups in the governance structure. The design of the governance structure and procedures can be left to the countries, communities, societies and corporations themselves, provided they do not violate essential values.

A general theory of governance focusing on how decisions are made, rather than on where and by whom, will inevitably involve general criteria concerning the accountability of those who take decisions. Even in non-democratic settings, or in a society characterised by autocratic top-down decision making, rather than bottom-up participatory welfare creation by (self-)empowered people, full transparency, enabling checks and balances in the process of decision-making, will result in more sustainable outcomes.

Corruption

Transparency in terms of accountability requires facts to be revealed. Facts are important, not the perceptions of the facts. Perceptions may even blur the knowledge about the facts. Worse, perceptions about wrongdoings due to bad governance may hinder redress. This is a major thesis in Michel van Hulst's address on "Perception as a Cause of Corruption".

Corruption prevails in many countries. The case of Cameroon is well known, too well known perhaps, because the perception is that Cameroon is so corrupt that corruption in other countries is less of a problem. Van Hulst shows that this is a misconception. In absolute terms, there is more corruption in countries with more resources, and it is resources that lend themselves to corrupt practices.

One cannot deny that Cameroon is still a very poor country, but does Cameroon suffer from corruption more than other poor countries in relative terms, namely as a percentage of its Gross National Product? According to the Transparency International's so-called Corruption Index, this is indeed the case: it is the most corrupt nation on earth. However, even this is questionable: the index is an index of corruption as a perceived phenomenon, not an index of corruption as a measured fact.

Van Hulten further argues that this index is based on an ill-defined concept of corruption, and that the phenomenon will manifest itself differently in different countries - rich and poor, modern and traditional – and in different cultures. This equally applies to many other elements of the overall concept of governance. Good or bad governance will manifest itself differently in different societies. Wempe's address on governance and van Hulten's paper on corruption meet each other in their context: the development of countries.

Van Hulten recognises that greed, impunity, absence of an independent judiciary, lack of democratic controls, of press freedom and of political will, weak accountability, the suppression of criticism, low salaries, poverty in general and the tradition of supporting family members and those

originating from the same tribe or region, are all factors that encourage corrupt behaviour. This is an impressive list. Policies to combat poverty combined with better governance practices in general would do much to lessen the evil of corruption and reduce the damaging consequences for sustainable development. However, van Hulten, rather than focusing on policies to redress these causes of corruption, draws our attention to another problem: that the perceptions of corruption allow corruption to flourish.

Perceptions and facts

Perceptions of facts may differ from the facts themselves. This is a truism. Wrong perceptions of a problem will always obstruct possible solutions to a problem. This is another truism. So, arguing methodologically, van Hulten may well be right when stating that the widely held opinion that Cameroon is the most corrupt country on earth has become a self-fulfilling prophesy. That is, it is not a description of a fact that is the result of a process, but the cause.

However, this is quite a bold statement. Van Hulten argues that the Corruption Perception Index, which is rarely disputed by international policymakers, is based on a selective use of sources. Moreover, he argues that the index is biased towards the views of a select group of

respondents, most of them well-paid, expatriate businessmen: Anglophone, male, urban and educated in Western thinking. This is a devastating comment, and one which calls for a complete overhaul of the research method. This is one of van Hulten's major recommendations: focus on facts, not on perceptions. I couldn't agree more. The recommendation is in line with my earlier plea: please focus on specifics, not on general theories and systems.

Ranking countries belongs to the category of overarching and general approaches to a problem. The outcome results from what in statistics is called a cross-section analysis, as against a time series analysis. In the former, countries are compared to one another. In the latter, the situation in a country is compared with the situation at different points in time. Getting facts and figures over time is more laborious than comparing only the most recent international data. At a time when it was hardly possible to get adequate series of historical data, researchers had to make do with cross-sectional approaches. However, as van Hulten argues, nowadays many more facts and figures are readily available. This applies both to data on corruption and to other data that are relevant when researching a process of change and development. However, still too much research, and too many pronouncements, are based on cross-sectional analysis.

This may be due to a certain laziness amongst some researchers, it may also reflect a bias towards modern, Western, benchmarks.

The resulting associations and rankings may satisfy culturally prejudiced commentators, but for practical purposes they do not amount to much. Why would inhabitants of Cameroon consider it important to know that the situation in their country is better or worse than in Togo, let alone in the Netherlands? They are living in Cameroon, not elsewhere, and hardly have the opportunity to go to a country that is 'better off'. However, the citizens of Cameroon will consider it much more relevant to know that the situation in their country has deteriorated or improved compared with the situation several years before, and that the trend is positive or negative. They may be able to benefit from that knowledge, for instance by trying to reverse or strengthen the trend.

Ranking on the basis of perceptions is even worse. Such rankings are nothing more than toys. Ranking by outsiders, so called experts, is always subjective. The choice of criteria tends to be selective. Judging whether a criterion has been met involves a personal opinion and will thus be somewhat arbitrary. Weighing and blending the resulting qualifications into a single overall indicator will inevitably

depend on the views and backgrounds of those involved. The result is a lottery.

However, ranking by insiders, the inhabitants, is inherently impossible: while they know well the place where they live, they hardly know places where they do not live and work. While they can rank subsequent manifestations of their own living conditions, comparing these with a reality unknown to them is a purely theoretical exercise, a chimera. Moreover, as I argued above, why would they want to do so? What is the point?

As far as corruption in Cameroon is concerned, van Hulten shows that the expatriate perceptions seem to agree with the revealed experiences of a selective group of polled inhabitants. A further analysis also shows that, using broad categories rather than a very precise ranking order, one could conclude that Cameroon is indeed a very corrupt country and that recently there has only been some slight improvement. According to van Hulten, the official Cameroonian policy to address corruption is inadequate and so selective and politicised that, rather than being a possible solution, it has become part of the problem.

The practice of ranking is also part of the problem. Rankings are not only pointless, they can become counterproductive. As van Hulten has argued, it is not the

reality of corruption that makes a country appear corrupt. No, the opposite is true: the 'look' of a country, its perception as a corrupt nation, will result in behaviour that reinforces this image. Parties with dishonourable intentions will jump on the bandwagon, and try to seize the apparent opportunities, which will result in even more corruption. Clean parties will shy away, and turn to less corrupt countries. In doing so, opportunities will be missed to reverse the negative trend.

Arrogance or hypocrisy?

The possibly perverse impact of subjective qualifications and rankings had not struck me until van Hulten drew my attention to this aspect. However, such consequences seem entirely plausible. There is some resemblance with another practice: withholding development assistance from a country for the reason that it is perceived as having 'bad governance'. Rather than conceiving good or improved governance as an outcome of a comprehensive development policy that should be supported with external assistance, it has become customary to consider good governance as a precondition for rendering such assistance. This is perverse. There is no reason for a country with good governance, which will earn it good credit ratings and hence access to international financial markets, to be rewarded with scarce soft money which could otherwise be used

to strengthen other countries' capacities to improve governance and combat corruption.

Using the donor's subjective perceptions of good governance, including the level of corruption, in a developing country as a precondition for entering into a development cooperation relationship is rather naive because the outcome is the opposite of what is claimed as desirable. So, it is short-sighted. Further, it could also be labelled as arrogant, and based on Western perceptions of good and bad. Maybe, however, such a perverse result is the very intention. Maybe the blurring of roles, the upholding of non-transparent governance procedures and the possibility to compete using bribes continues to serve Western parties in their dealings with market partners in developing countries such as Cameroon? If this is the case, it reflects not naivety or arrogance but hypocrisy.

Is this too bold an assumption? I do not think so. Despite the generally accepted definition of corruption as 'abuse of public or entrusted office to serve private interests', it is mainly poor and developing nations that fair badly in corruption indices. However, what about the rich and powerful western countries? Is their use of entrusted power so beyond reproach that they deserve their high rankings? The definition is not the issue; it is the

selective choice of indicators for the abuse of entrusted power, the measurement of compliance and the weighing of the results.

The character, the level and the spread of corruption depend on the culture and traditions of a country, its political system and the organisation of its markets. The latter involves the ways and means used to control investment, trade, finance, enterprise, natural resources and land use systems. Weighing the performance of western countries and those in Africa in terms of governance, corruption and the abuse of entrusted power that results in distorting the public interest has to go beyond a comparison between bribing authorities in Africa and the fraudulent activities of construction companies in Western countries. The present international crisis on the world's financial markets is due to greed, speculation, perverse bonus schemes, manipulation of risks and the clouding of transparency. The damage done is no less than the losses due to traditional corruption.

In addition to this, we could refer to the selective setting of priorities by administrative and political bodies as a result of lobbying by moneyed interest groups. In principle, one-sided representation of interests can be contained through a system of checks and balances, such as parliaments and the media, but, in

Conclusion

western countries, these institutions have increasingly become part of the power system itself. Due to this, we witness economic behaviour that risks the well-being of future generations due to the selfish accumulation of present wealth, resulting in pollution of the atmosphere and climate change. We witness unfair trade practices, showing a clear disregard for poorer and weaker countries. We see strong support from western countries for bad governments, provided the latter continue to serve western commercial or security interests. Bribes that have been paid to companies and authorities in developing countries are still tax deductible in many Western countries. All this is seen and documented but, so far, it has not been incorporated in ranking corruption and power abuse.

However, this speaking with two tongues seems to be increasingly noted by opinion leaders and by young people belonging to a new self-conscious generation in Asia, Africa, Latin America and the Middle East. This is bound to have consequences for future relations between them and people in the West.

In his address, Wempe has discussed development – including international development cooperation – as a governance issue. It is, in fact, the title of his address. Van Hulten, discussing corruption as a form of governance, has argued along the same lines. In his address, van Hulten has shown that both corruption itself and the perceptions of corruption have a negative impact on the development of a nation. Indeed, development is, amongst other things, a governance issue. In my reflection on both addresses, I have argued that the opposite is also true: governance and corruption are development issues.

I hope that Saxion, in developing a curriculum and a research programme on governance and international development will put this mutual relationship high on its agenda.

Deventer, 7 November 2008

