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Good governance is a bad idea

The good-governance agenda has become an existential threat. Fighting climate change is about solving problems, not checking boxes

Once upon a time, not so long ago, commentators and experts portrayed 'good governance' as the sole ingredient needed for economic growth and development. For many years, it was a staple of mainstream policy advice and institutional reforms. In a 1992 report, *Governance and Development*, the World Bank defined the term as consisting of four components: capacity and efficiency in public-sector management, accountability, legal frameworks for development, and information and transparency.

The term has since fallen into desuetude, perhaps because the concept itself has lost some of its bite. While there is nothing wrong with any of its four components, or with the principle of procedural fairness in managing public and private affairs, the assumption that good governance would solve complex social and political problems was deeply flawed.

The costs of 'good governance'

Moreover, some critics contend that the good-governance agenda was always meant to mask underlying power structures by elevating technocratic decision-making over political struggles. Whether intended or not, good-governance advocates did tend to focus on appearances rather than substance: 'how' questions took precedence over 'what' questions – as if good outcomes would spring miraculously from sound processes.

Meanwhile, an entire industry emerged to define and redefine 'good governance', and to develop indicator after indicator for measuring it. These indicators became a new 'technology of governance', with measurements serving as performance benchmarks to guide action and create the appearance of actual improvement.

Setting the 'right'

There is no shortage of critiques of how *parameters for decision-making does not automatically produce the right outcomes.*

good governance is measured or implemented. But the real costs of this fad – including the crowding out of outcome-driven political action over the past several decades – have become apparent only recently. For example, the good-governance agenda has arguably reduced policymakers' capacity to solve complex problems, and distracted from the need to address socioeconomic losses in equitable and politically feasible ways.

Setting the 'right' parameters for decision-making does not automatically produce the right outcomes. With its implicit singular focus on economic growth, the good-governance agenda downplayed the need to account for distributional consequences and negative environmental externalities.

These shortcomings have now been laid bare by the climate crisis. We need real action to stem pollution if this planet is going to remain hospitable for most of humanity, not just the few who have sufficient resources to escape its effects. Yet indicators and labelling exercises have dominated climate policymaking. Notwithstanding the rise of 'ESG' (a loosely defined concept that encompasses 'environmental, social and governance' criteria), maximisation of shareholder value remains the overarching goal of corporate 'good governance'.

Inhibiting change

As in the past, a rent-seeking industry of advisers, consultants, and public-relations professionals has emerged to help companies and countries comply with ever-changing labels and standards; and, as in the past, there have been few tangible results. Three decades after the creation of the United Nations Framework Convention on Climate Change, the world is still warming at a dangerous rate, and the effects of climate change are becoming increasingly destructive and costly.

Worse, heavily polluting industries have managed to get a seat at the table in international negotiations, while climate activists are locked out. Indeed, some are even sanctioned – including by criminal law – for breaking the rules of the game, a core paradigm of good governance that, here as elsewhere, generally serves to defend the status quo.

The 2015 Paris climate agreement sought to change course by establishing clear targets and committing governments to limiting average temperature increases to 1.5° Celsius above pre-industrial levels.

Countries are required to produce action plans specifying how they will achieve these goals, and climate activists have been galvanised to hold policymakers' feet to the fire.

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But it is far easier to produce a 'Nationally Determined Contribution' than to achieve real outcomes domestically or transnationally. Governments and industries have made plenty of commitments to reach net-zero emissions by mid-century, but they have yet to deliver. Instead, public- and private-sector elites continue the old dance of pursuing formal compliance in lieu of meaningful changes. Labels, soft codes of conduct, reports and PR campaigns remain the preferred implementation strategies, even though one after another has been debunked as ineffective and, in some cases, outright fraudulent.

Rather than serving as a wakeup call for a change in strategy, ESG has become another gravy train for the compliance-advice business. It offers yet another opportunity to extract rents from clients, while blaming regulators for failures. Companies dare not forego these services, because, as the global accounting giant PwC puts it, 'the risks of fraud in the ESG context are increasing based on the rising pressure of regulators and the public'.

The good-governance agenda has lost its label, but it lives on, and it has become an existential threat. Combatting climate change is about solving problems and winning power struggles, not checking boxes. Governance is no substitute for government (or management, in the private sector). We have allowed it to side-track us for far too long.

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