

for development.” The Bank identified three distinct aspects of governance.⁴ These were, the form of political regimes, the process by which authority is exercised in the management of a country’s economic and social resources for development, and the capacity of a government to design, formulate and implement policies and discharge its functions. The form of the political regime in a country was deemed to be outside the Bank’s mandate which is the promotion of social and economic development when the policy on good governance was formulated in the early 1990s. Accordingly the Bank focussed its attention on the second and third aspects. It should be noted that governance does not apply only to the public sector as corporate governance is equally important. The laws and regulations applicable to the corporate sector, the institutions that enforce them and the reporting requirements for good governance will be dealt with in a later section.

4. World Bank operations on governance have been grouped into four major components. These are public sector management, accountability, the legal framework for development, and transparency and information. The development of more participatory approaches to project, program and policy formulation; restraining military expenditures; and promoting human rights in accordance with the Bank’s mandate as a financial institution are related activities. In addition to its lending operations, the World Bank undertakes economic and sector work, research and policy dialogue with governments to influence them on good governance.
5. **Other multilateral lending institutions** use the same definition of governance as the World Bank though some may place the emphasis on different aspects of it. The *Inter-American Development Bank* gives priority to the modernization of public administration while the *African Development Bank* has introduced the concept of governance for different levels of government. The *Asian Development Bank* follows the World Bank’s lead and defines it⁵ to include the functioning and capability of the public sector and the laws and regulations that set the framework for the conduct of public and private business in a transparent manner. Governance is about the institutional environment in which citizens interact between themselves and with the government and its officials. The Bank’s operations on governance include building capacity in the public sector, encouraging participatory development

⁴ Governance, The World Bank’s Experience, The World Bank, 1994.

⁵ Governance: Sound Development Management, August 1995, Asian Development Bank.