

8. The Development Assistance Committee (DAC) of the **Organisation for Economic Cooperation and Development (OECD)** uses a definition⁸ similar to the World Bank to denote the use of political authority and exercise of control in a society for the management of its resources for social and economic development. This definition encompasses the role of public authorities in establishing the environment in which economic agents function and in determining the distribution of benefits. It identifies the three aspects of governance as the World Bank does, i.e., the form of political regimes, the processes by which authority is exercised in the management of a country's economic and social resources, and the capacity of the government to formulate and implement policies and discharge its functions. The OECD recognizes the rule of law, public sector management, controlling corruption and reducing military expenditures as important aspects of governance. It links good governance with participatory development, human rights and democratization and sees the emergence of overall aid policies linking all of them in the member countries.
9. This brief survey of definitions of governance used by some development assistance agencies suggests some commonality of approach. Accordingly, good governance includes the following elements:
- improved public sector management and an effective public service;
 - a predictable legal framework for development and its application by an independent judiciary;
 - better financial accountability and transparency in operations leading to low levels of corruption in both the public and private sectors;
 - participatory approaches to project, program and policy formulation;
 - reducing excessive military expenditures; and
 - promoting human rights and democratic development.
10. Governance has been defined through a donor perspective as it was donor initiatives that provided a governance umbrella for foreign assistance programs. During the current decade, recipient countries have paid attention to the issues and begun to dialogue with donors, some more seriously than others. Dealing with these issues had an impact on the developing countries that have dealt with international financial institutions for many years but the biggest need and consequently the impact have been in the countries that joined the international

⁸ DAC Orientations on Participatory Development and Good Governance, OECD, Paris, 1993.