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Two-dimensional approach to governmental excellence for human development in developing countries: Combining policies and institutions with e-government

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ABSTRACT

This paper proposes a two-dimensional lens to examine government capacity in developing countries. In addition to the conventional approach of assessing policies and institutions to examine government capacity, we propose that the development of e-government services should be a second axis of analysis in the current informatized world. Clustering analysis is implemented to examine how certain policies and institutions, along with the development of e-government services, are related to human development outcomes. The results showed a positive and significant relationship, and the particular importance of e-government was discovered. We use the Markov chain model to examine countries' transition patterns and to forecast future transitions. Our findings underline the importance of this two-dimensional approach, and the harmonious incorporation of traditional and novel approaches seems ideal to achieve development in a more effective and efficient way, ultimately leading to United Nations Sustainable Development Goals. This study can provide insights for policy makers in corresponding countries and international organizations to use in estimating transition patterns and the future direction of governmental excellence and in planning and strategy development. In particular, the proposed method for analyzing developing countries from the macro perspective may help guide international organizations to set up development strategies now in preparation for the time post-Millennium Development Goals.

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1. Introduction

What should governments do to develop their countries? The answer differs depending on the type of development the country seeks. Confining this context to developing countries, there are largely two streams of thought addressing the question of development. One group of scholars emphasizes the importance of a “big push” in public investment (Sachs, 2006), whereas others focus on the fundamental capacity of the state as the key instrument (Acemoglu, Johnson, & Robinson, 2004). Although neither approach can be the sole solution, as the two approaches are vastly different, this study focuses on the latter. Attention to state capacity is not only discussed academically; it is also practically implemented. In fact, international aid organizations, such as the International Development Association (IDA), the African Development Bank (AfDB), the Asian Development Bank (ADB), and several European governments refer to evaluations of the policies and

institutional performance of recipient countries before making decisions on aid or resource allocation (Rocha De Siqueira, 2014).

Meanwhile, the world we are living is rapidly changing and information and communications technology (ICT) development is at the core of this transformation. Accordingly, there have been many attempts to explore various roles of ICT. Notably, a large number of academic studies have shown that ICT contributes to economic growth (Vu, 2013). Additionally, ICT diffusion is said to facilitate sustainable development and poverty reduction through various means, such as effective and efficient delivery of public services, better governance, and more opportunities for citizen's participation in politics (Adeya, 2002). In the governance context, the adoption and development of electronic government (e-government) may be the yardstick against which a government's commitment to ICT development could be measured. In fact, e-government is expected to empower governments and benefit citizens with effects similar to those mentioned above.

Accordingly, many international organizations have found opportunities in e-government and, accordingly, promote its adoption and development as an instrument for better governance, sustainable development, and poverty reduction in developing countries

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(Schuppan, 2009). Considering its significance, it seems necessary to assess e-government to fully understand state capacity.

Thus, this study combines two approaches to assessing governmental capacity, or governmental excellence: 1) the conventional approach of assessing policies and institutions, which assumes government capacity as the ability of countries to transparently project and execute public policy in the best way and 2) a new approach of assessing the level of e-government development, which is proposed in this paper as the other pillar of government capacity. With this two-dimensional lens, its relation to national development will be examined through the point of view of human development. To overcome the heterogeneity among the countries studied, clustering analysis is implemented so that the different groups of countries can demonstrate their human development characteristics from the perspective of governmental excellence. Then, the transition patterns of past governmental excellence are analyzed and predictions are made for the developing countries using the Markov chain process from the macro perspective. We attempt to detect prevailing patterns in the transformation of governmental capacity and, thereby, visualize predictions on future outcomes.

This research makes several theoretical and practical contributions. Theoretically, it proposes a two-dimensional lens to view governmental excellence in relation to human development. Although there have been some studies that explored the relationship between government capacity and development (Birdsall, 2007; Burnside & Dollar, 2000; Feeny & McGillivray, 2009; Harttgen & Klasen, 2012), this study is the rare attempt to combine traditional views on government capacity with e-government to assess their relationship with human development. Clustering analysis was used to overcome heterogeneity among countries and the subsequent transition pattern analysis and forecasting through the use of the Markov chain model (Norris, 1998) provide not only practical implications for developing countries and international donors, but also novel methods from which to draw macro trends.

The remainder of this paper is organized as follows. Section 2 expands the foundation of the theoretical and practical background of this research through a comprehensive literature review. Section 3 proposes the research framework. Section 4 introduces clustering analysis and Section 5 provides a pattern analysis and forecasting. Sections 6 and 7 provide the discussion and conclusion respectively.

2. Literature review

2.1. The traditional role of government for human development: policies and institutions

Human development is an issue that has been long discussed in international development discourse. Although the most prevalent views on development emphasize economic perspectives, such as economic and income growth, a number of differing interpretations are at the center of the discussion on development. The United Nations Development Programme's (UNDP) Human Development Report, first produced in 1990, is one well-known example of a differing interpretation on human development. This report has contributed to a shift in emphasis from economic performance to human well-being, although it has also received some criticism. The literature on human development and its determinants can be classified into two major strands (Suri, Boozer, Ranis, & Stewart, 2011). A large amount of literature has highlighted the role of income as a key contributor to human development (Case, Lubotsky, & Paxson, 2002; Cutler, Deaton, & Lleras-Muney, 2006; Haddad, Alderman, Appleton, Song, & Yohannes, 2003; Strauss & Thomas, 1998), while conversely, others have raised the issue of whether measuring well-being by income level is sufficient (Alkire, 2005; Sen, 1992; Sugden, 1993). This has been a long-standing debate since the Human Development Report first entered the development field in 1990. For example, Anand and Ravallion (1993) investigated the role of private income and public services in human development in developing countries and found the relative importance of both,

depending on the circumstances. As they stressed, neither approach can deny the importance of the other.

Given that both approaches, the focus on economic development and the focus on human well-being, are important for human development, the next logical question is how to guarantee these. There are two streams of thought addressing the issues surrounding the development of developing countries. On one hand, Jeffrey Sachs and his colleagues emphasize that what is most needed for Africa, for example, is a “big push” in public investment to get its “foot on the ladder of development” (Sachs, 2006). On the other hand, researchers such as Acemoglu et al. (2004) focus on ensuring the fundamental capacities of the state (i.e., transparency, accountability, and institutions, among others) as the major instruments for serving its people. Birdsall (2007) proposed the “weak-institutions trap” as the main cause of Africa's limited growth and poverty reduction, stating that the crucial role of institutions was one of central issues of sustainable development, as strong institutions enable growth to last long beyond a period temporarily boosted by external factors, such as high commodity prices, for example. The notoriously famous “resource curse” cases presented by resource-rich countries may support this argument (Robinson, Torvik, & Verdier, 2006).

As mentioned earlier, international aid organizations examine the policies and institutional performance of recipient countries as the measure of a country's capacity to deliver public services, control corruption and secure accountability prior to making decisions on donor aid or resource allocation (Rocha De Siqueira, 2014). Although the effects of donor aid on a recipient country's growth is a frequently debated issue in development studies (Carment, Samy, & Prest, 2008), one of the most widely acknowledged findings in this sphere is that aid effectiveness is positively correlated with sound economic policies and institutions (Gisselquist, 2014). In fact, the United Nations (2013), through the High-Level Panel on the Post-2015 Development Agenda, has made governance and institutions high priorities for poverty eradication and human development. Thus, this study attempts to investigate whether governmental efforts towards sound policy and institutional excellence can affect, change, and/or challenge the status quo of human development.

2.2. New age of governmental excellence: e-government

Since the 1990s, the New Public Management (NPM) wave emphasizing values considered important in the private sector, such as efficiency, and arguing for its application in public management has spread across the world. Many expectations have been placed on the use of ICT as a powerful tool capable of achieving the goals promised by NPM (Cordella & Bonina, 2012). Thus, in order to make public management and public service delivery more efficient, many countries have channeled enormous investments into ICT, as private organizations had proven that taking great advantage of ICT can improve an organization's performance (Bekkers, 2003). In fact, ICT use in public management has long garnered much attention from academic research too, which has progressed and shifted the focus over time from maturity evaluation of ICT and evaluation of e-government services to the actual use and impact of e-government (Nielsen, 2016a, 2016b).

The adoption and development of e-government has been an important initiative for many countries, improving efficiency in the public sector and supporting sustainable development (United Nations, 2012). While there are varying definitions used among international organizations and scholars, they share the common idea that e-government is the use of ICT in public administration with the purpose of improving government operations. Considering the purpose and context of this study, the definition of e-government follows the United Nations, which defines e-government as “the use of ICT and its application by government for the provision of information and public services to the people” (United Nations, 2014).

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