The Determinants of Governance:
A Global Analysis

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Abstract - **The scope of the paper is to explore the underlying determinants of governance quality at the global level. The study suggests that cross-country variation in governance is mainly attributed to differences not only in countries' level of economic development but to the range of political freedom and level of social development. More specifically, the impact of economic development is stronger for the control of corruption, the rule of law and regulatory quality as far as the examined governance dimensions are concerned. Political development is strongly related to political stability and absence of violence as well as voice and accountability. A very interesting finding is the high correlation of social development, as depicted by the relevant human development index, with the level of government effectiveness. Therefore, strengthening and maintaining governance is achieved only through the adoption and effective implementation of the appropriate long-run policies. In a similar vein, concrete policy guidelines lie at the core of the good governance agenda. The associated reforms target a broad list of comprehensive governance objectives in order to achieve government effectiveness, anti-corruption safeguards, high standards of legitimacy and accountability, among other attributes of governance systems.**

Keywords - *Governance; Institutional quality; Corruption; Public sector reforms; Economic development; Human development; Political rights.*

1.   Introduction

After the end of the Cold War, global and regional emphasis on democratization and the advancement of human rights have created demands for more accountable and transparent political institutions and a reformed judiciary (World Bank, 1998). In a similar vein, widespread corruption largely unveils the existence of institutional fragilities, as well as economic, social and political underdevelopment (Rontos, Sioussiouras and Vavouras, 2012). Under this framework, in the policy world the issue of governance has come to the fore after the failure of a long stream of reforms applied to borrowing countries that did not consider the importance of institutions and governance issues [1]. More specifically, Africa's development problems and the inefficiency of international aid were attributed to a governance crisis, whereas governance refers to the exercise of political power to manage a nation's affairs (World Bank, 1989). In the same study it is supported that improved governance standards require political renewal, whereas emphasis is given to tackling corruption by strengthening accountability, capacity building, sound policy fundamentals and institutional frameworks in order to improve structural weaknesses.

The scientific awareness over the role of governance and institutions can also be broadly viewed as an integral part of the ongoing research for the "deeper" determinants of economic growth and development [2]. Acemoglu, Johnson and Robinson

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[1] See, also, Woods (2000).

[2] Rodrik, Subramanian and Trebbi (2004).

(2005) make the discrimination between the proximate explanations of comparative growth supported by standard economic models of factor accumulation and innovation and the fundamental or deeper causes, which emphasize the importance of factors like economic institutions, geography and culture. Even if capital accumulation or technological innovation account for significant differences in long-run levels of per capita output across countries, they do not answer truly causal questions concerning the success or failure of certain societies to take the actions necessary to accomplish such accumulation or innovation. Similarly, North and Thomas (1973) argue that factors like innovation, economies of scale, education and capital accumulation are not causes of growth, they are growth instead. To further explore these issues, the emerging field of the economics literature concerning the deep determinants of growth described above, is called the new institutional economics[3].

While the notion of governance has gained prominence in the literature and is extensively discussed among scholars and policymakers, there is little agreement on the essence of the concept. Governance is a multidimensional theme[4] associated with a variety of economic, social and political factors, such as high per capita income, high human development standards and democratic institutions. Due to its elusive nature there is not a clear consensus on the concept neither a universally agreed definition of governance [5] (Kjaer, 2004). On the contrary, international agencies and researchers follow their own definitions depending on the conceptual spectrum under which they analyze the phenomenon, with a main focus on the sociopolitical dimension apart from the economic aspect of governance.

Although it is difficult to agree on a precise definition, the most common of them prevailing in the relevant literature are presented in the following paragraphs. Governance is defined by the World Bank as the manner in which power is exercised in the management of a country's economic and social resources for development (World Bank, 1991). In more concrete terms, the World Bank's involvement in governance has primarily focused on sound development management emphasizing public sector reform, public expenditure control and privatization[6]. Therefore, good governance infrastructure is fundamental in creating, operationalizing and maintaining an environment of strong and equitable development, whereas it is a central supplement to sound economic policies. However, this definition is characterized as somewhat narrow since it does not take into account the political system and civil liberties as well as the role of civil society (Johnston, 1998). According to Kaufmann, Kraay and Mastruzzi (2010) this definition is limited centered on public sector management issues. On the contrary, as discussed by Keefer (2004) more emphasis should be given to causal or more fundamental concepts, which enclose the incentive structure that guides the actions of political actors. The World Bank identifies three distinct aspects of governance: (i) the form of political regime, (ii) the process by which authority is exercised in the management of a country's economic and social resources for development, and (iii) the capacity of governments to design, formulate, and implement policies and discharge functions (World Bank, 1994).

One of the most widely used definitions of governance in the literature is provided by the World Bank. Governance is defined as the traditions and institutions by which authority in a country is exercised. This broad definition includes: (a) the process by which governments are selected, monitored and replaced, (b) the capacity of the government to effectively formulate and implement sound policies, and (c) the respect of citizens and the state for the institutions that govern economic and social interactions among them (Kaufmann, Kraay and Lobatón, 1999). The governance indicators that have been developed in this context capture six key dimensions of institutional quality or governance, and measure[7], through two indicators each, the political, economic and institutional dimensions of governance (Kaufmann, 2005). Overall, six dimensions of governance emerge, which are the following[8]:

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[3] North (1990).

[4] Governance is at the intersection of many fields in social sciences including development studies, economics, international relations, law, political science, public administration and sociology (Dixit, 2009).

[5] For a concise overview of the relevant literature definitions, see Dethier (1999) and United Nations (2007).

[6] Quibria (2006).

[7] Measuring governance performance could assist with setting standards for improvement and achievement as well as indicating where funds could have been better used and where policy might prove most effective (Besançon, 2003).

[8] The Worldwide Governance Indicators introduce sustainability metrics as they incorporate social, economic and political concerns related to sustainability. The elements captured by the index, such as accountability, political voice and political stability among other attributes of governing systems, are important over both the shorter as well as the longer term and therefore are of crucial importance from a sustainability perspective (World Economic Forum, 2011).

1. **Voice and Accountability** expresses perceptions of the extent to which citizens are able to participate in selecting their government, as well as freedom of speech, freedom of association and a free media.

2. **Political Stability and Absence of Violence/Terrorism** expresses perceptions of the likelihood that the government will be destabilized or overthrown by unlawful or violent means, including politically-motivated violence and terrorism.

3. **Government Effectiveness** expresses perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy design and implementation, and the credibility of the government's commitment to these policies.

4. **Regulatory Quality** expresses perceptions of the ability of the government to formulate and impose sound policies and regulations that permit and promote private sector development.

5. **Rule of Law** expresses perceptions of the extent to which agents have confidence in and comply with the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.

6. **Control of Corruption** expresses perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as misappropriation of the state by elites and private interests.

The definition of governance according to the Organisation for Economic Co-operation and Development (OECD) is in line with the World Bank's definition. It denotes the use of political power and exercise of control in a society in relation to the administration of its resources for economic and social developmen[9]. This broad definition encompasses the role of public authorities in establishing the framework in which economic agents operate and in determining the allocation of benefits and the nature of the relationship between the ruler and the ruled. According to the OECD, good governance refers to the rule of law, efficient public sector management and corruption control.

According to the European Commission, governance refers to the state's ability to serve the citizens. It concerns the rules, processes, and behavior by which interests are shaped, resources are administered, and power is exercised in society. The way public functions are accomplished, public resources are managed and public regulatory affairs are conducted is the major issue to be addressed in that framework. Despite its open and wide character, governance has a practical value related to the core aspects of the functioning of any society and political and social system and in this respect it can be characterized as a basic measure of stability and performance of a society as well as of quality and performance of any political and administrative system[10] (Commission of the European Communities, 2003). Thus, institutional sustainability and capacity building are the primary elements of the good governance agenda.

According to the United Nations Development Programme (UNDP), governance is the system of values, policies and institutions by which a society administers its economic, political and social matters through synergies within and among the state, civil society and private sector. It describes the rules, institutions and practices that set limits and provide incentives for individuals, organizations and firms[11].

From an empirical perspective, the relationship between governance and its determinants has been left rather imprecise, with a notable absence of a concrete theoretical framework to guide empirical work[12]. Impediments to empirical research concerning governance and institutional quality can be attributed to conceptual and measurement problems, whereas the way these themes are defined determines what gets modeled and measured[13].

Under this analytical framework, the scope of the paper is to investigate the determinants of governance for all countries of the world for which the required data are available, that is 173 countries. The study builds on three strands of the governance literature, namely the economic, political and social[14]. The first strand focuses on the level of economic development

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[9] Organisation for Economic Co-operation and Development (1995).

[10] In the same vein, the Commission's governance policy advice includes five principles for establishing more democratic governance. These are openness, participation, accountability, effectiveness and coherence (Commission of the European Communities, 2001).

[11] United Nations Development Programme (2007).

[12] Al Marhubi (2004).

[13] A similar view has been expressed about corruption, which constitutes a fundamental pillar of governance (Jain, 2001).

[14] The conceptual framework employed builds on La Porta at al. (1999).

as measured by gross national income per capita in purchasing power parities or current international dollars. The second strand refers to the political determinants of governance approached by the range of political rights and the extent of civil liberties. The third strand analyzes the social aspects of governance proxied by the non-income human development index, which combines measures of life expectancy and educational attainment. The analysis suggests that all the above factors are of primary importance in determining the level of governance worldwide and should not be examined in isolation from each other. Policy implications that have emerged out of the empirical analysis reveal that different combinations of economic, social and political factors contribute to governance performance not uniformly but depending on the specific governance dimension under consideration. Generally, maintaining good governance is achieved only through the adoption and effective implementation of the appropriate long-run policies of economic, social and political nature.

2.   Methodology, data and analysis

2.1 Model specification

To explore the factors that determine each dimension of governance in the global context, regression modeling was used with the six dimensions of governance taken as the dependent variables. Actually, six linear regressions of this kind were constructed, each of them having as dependent variable one of the six dimensions of governance presented above. Concerning the regression approach, the multiple linear regression model of the following general specification was used:

$$Y = b_o + b_1.X_1 + b_2.X_2 + \ldots + b_n.X_n + e$$

More analytically, to express governance, the relevant Worldwide Governance Indicators (WGI) dataset is used estimated by the World Bank[15]. It should be acknowledged that it is the most extensively used dataset and has emerged as a standard point of reference in the relevant empirical literature. It covers a broad spectrum of the six governance dimensions described above, which neatly capture the good governance agenda framework as delineated by World Bank. The values of the indicators lie between

-2.5 and 2.5, where higher values correspond to better governance. Gross National Income per capita in purchasing power parities or current international dollars (GNI.pc.ppp) is used to approximate the level of economic development in each country. GNI.pc.ppp is an indicator widely used in international comparisons of economic development and is provided by the World Bank[16]. To approximate the quality of democracy in each country the political rights index (PR) is used estimated by the Freedom House organization. The scale of the PR index ranges between 1 and 7. Countries and territories with a rating of 1 enjoy a wide range of political rights, including free and fair elections, whereas countries and territories with a rating of 7 have few or no political rights because of severe government oppression, sometimes in combination with civil war[17]. To approximate the extent of civil liberties in each country the civil liberties index (CL) is used compiled by the Freedom House organization as well. The scale of the CL index ranges between 1 and 7. Countries and territories with a rating of 1 enjoy a wide range of civil liberties, including freedom of expression, assembly, association, education, and religion. Countries and territories with a rating of 7 have few or no civil liberties[18]. The human development index (HDI) is used as a summary measure of the level of human development. It is estimated by the United Nations Development Programme (UNDP) and it measures the average achievements in a given country in three relevant dimensions of human development: a long and healthy life, access to knowledge and a decent standard of living[18]. According to this index, countries are classified in four categories: very high human development if the value of the index is higher than 0.900, high human development if the value of the index lies between 0.800 and 0.899, medium human development if the value of the index is between 0.500 and 0.799 and low human development if the value of the index is lower than 0.500[19].

All dependent and explanatory variables of the regression models are quantitative, measured in the scales suggested by the organizations that produce them. The normality of the dependent variable was tested, while linearity, multicollinearity, heteroscedasticity and autocorrelation checks were also carried out. The explanatory power of the model was expressed by the adjusted coefficient of determination ($\bar{R}^2$). The stepwise procedure used by the SPSS package was employed for building the models, with a probability of F equal to 0.05 as a

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[15] http://info.worldbank.org/governance/wgi/index.aspx#home.

[16]See, http://data.worldbank.org/indicator/NY.GNP.PCAP.PP.CD.

[17] https://freedomhouse.org/report/freedom-world/freedom-world-2012.

[18] http://hdr.undp.org/en/data.

[19]Since the HDI includes as one of its main components GNI per capita that has already been used as the basic variable of economic development, the variable HDI based on non-income measures is employed, that is the HDI excluding its income dimension or component. See, http://hdr.undp.org/en/data.

criterion to enter a variable and equal to 0.10 as a criterion to remove a variable. The economic significance (the direction of the effect) of a variable was also a criterion for its approval.

2.2. Estimation results

Table 1 presents summary statistics containing some preliminary results. All countries independently of their average real income levels are included in the analysis. This is also evident by the large difference between the minimum and maximum value of the relevant per capita income index, which ranges between $370.00 and $82,340.00 respectively. Table 2 presenting the correlation matrix provides a first approximation for the main determinants of governance. The analysis shows that, on average, countries with higher income exhibit improved governance capacities. More specifically, gross

National Income (GNI.pc.ppp) is more strongly positively related to government effectiveness (GE), control of corruption (CC) and the rule of law (RL). The relationship between civil liberties (CL) and all governance dimensions is negative as lower values of the civil liberties indicator correspond to improved levels of the index. The strong correlation between Political factors (Political Rights-PR and Civil Liberties-CL) with Voice Accountability (VA) is also remarkable. An interesting finding is the positive relationship between the human development index (HDI) with government effectiveness (GE) and regulatory quality (RQ), which is also reached by the ensuing regression results. The sign of the relationship between PR and CL in positive as expected due to the measurement scale of both indexes. Linearity of the models seems to be followed according to the correlation matrix of table 2[20].

Table 1. Summary statistics

	Mean	Standard deviation	Minimum	Maximum
PSAVT	-0.11	0.97	-2.69	1.40
VA	-0.07	0.97	-2.21	1.75
RQ	-0.02	0.94	-2.24	1.96
RL	-0.07	0.97	-1.72	1.95
CC	-0.06	0.99	-1.56	2.39
GE	-0.03	0.96	-1.66	2.21
GNI	14,711.86	15,653.43	370.00	82,340.00
PR	3.38	2.09	1.00	7.00
CL	3.31	1.82	1.00	7.00
HDINI	0.707	0.172	0.310	0.980

Table 2. Correlation table

	CC	CL	GE	GNI	HDINI	PR	PSAVT	RL	RQ	VA
CC	1.00									
CL	-0.68	1.00								
GE	0.93	-0.68	1.00							
GNI	0.77	-0.42	0.80	1.00						
HDINI	0.66	-0.58	0.77	0.69	1.00					
PR	-0.63	0.94	-0.66	-0.38	-0.54	1.00				
PSAVT	0.74	-0.68	0.70	0.58	0.56	-0.60	1.00			
RL	0.94	-0.73	0.95	0.80	0.72	-0.68	0.76	1.00		
RQ	0.85	-0.70	0.93	0.76	0.71	-0.65	0.62	0.89	1.00	
VA	0.79	-0.96	0.80	0.55	0.63	-0.93	0.70	0.83	0.79	1.00

The results of the empirical analysis are provided separately for each dependent variable expressing each of the six dimensions of governance. Regression coefficients presented in table 3 are in the expected direction and most of them are statistically significant either at the 1% or at the 5% level.

In model 1, the b coefficients (-0.283 and 0.022) of CL and GNI.pc.ppp are in the expected direction, indicating that in a certain country of the studied group, the higher the income per capita is the higher the political stability and absence of violence/terrorism (PSAVT) is. The higher the civil liberties are, the higher the political stability and absence of violence/terrorism (PSAVT) is and vice versa. Stepwise procedure did not include HDI into the model as it does not add to the explanatory power of the model in a statistically significant level[21]. The model has an acceptable total explanatory performance, as the coefficient of determination $R^2_{CL, GNI} = 56.6\%$.

In model 2, the b coefficients (-0.345, 0.011, -0.116) of CL, GNI.pc.ppp and PR are in the expected direction, indicating that in a certain country of the group studied, the higher the political rights and civil liberties are, the higher the voice and accountability (VA) is and vice versa. Moreover, the higher the income per capita is, the higher the voice and accountability (VA) is. Stepwise procedure did not include HDI into the model as it does not add to the explanatory power of the model in a statistically significant level. The b's coefficients of CL, GNI.pc.ppp and PR are statistically significant ($t_{CL} = -14.007$, $p = 0.000 < 0.001$, $t_{GNI.pc.ppp} = 10.554$, $p = 0.000 < 0.001$ and $t_{PR} = -5.514$, $p = 0.000 < 0.001$). Additionally, the constant coefficient is statistically significant as well ($t = 30.770$, $p = 0.000 < 0.001$). The model has an excellent total explanatory performance, as the coefficient of determination $R^2_{CL, GNI, PR} = 95.9\%$.

In model 3, the b coefficients (0.028, -0.217, 0.758) of GNI.pc.ppp, CL and HDI are in the expected direction, indicating that in a certain country of the studied group, the higher the income per capita or the human development is, the higher the regulatory quality (RQ) is. Moreover, the higher the civil liberties are, the higher the regulatory quality (RQ) is and vice versa. Stepwise procedure did not include PR into the model as it does not add to the explanatory power of

the model in a statistically significant level. The b's coefficients of CL, GNI.pc.ppp and HDI are statistically significant ($t_{GNI.pc.ppp} = 7.797$, $p = 0.000 < 0.001$, $t_{CL} = -9.186$, $p = 0.000 < 0.001$, and $t_{HDI} = 2.101$, $p = 0.037 < 0.05$). Additionally, the constant coefficient is not statistically significant at conventional significance levels ($t = -0.870$, $p = 0.386 > 0.05$). The model has a very good total explanatory performance, as the coefficient of determination $R^2_{CL, GNI, HDI} = 75.3\%$.

In model 4, the b coefficients (0.037, -0.254) of GNI.pc.ppp and CL are in the expected direction, indicating that in a certain country of the studied group, the higher the income per capita is and the higher civil liberties are, the higher the rule of law (RL) is. Stepwise procedure did not include PR and HDI into the model as they do not add to the explanatory power of the model in a statistically significant level. The b's coefficients of GNI.pc.ppp and CL are statistically significant ($t_{GNI.pc.ppp} = 16.648$, $p = 0.000 < 0.001$, $t_{CL} = -13.458$, $p = 0.000 < 0.001$). Additionally, the constant coefficient is statistically significant as well ($t = 2.598$, $p = 0.010 < 0.05$). The model has a very good total explanatory performance, as the coefficient of determination $R^2_{GNI, CL} = 82.2\%$.

In model 5, the b coefficients (0.038, -0.236) of GNI.pc.ppp and CL are in the expected direction, indicating that in a certain country of the group studied, the higher the civil liberties are, the higher the control of corruption (CC) is and the higher the income per capita is, the higher the control of corruption (CC) is and vice versa. Stepwise procedure did not include PR and HDI into the model as they do not add to the explanatory power of the model in a statistically significant level. The b's coefficients of GNI.pc.ppp and CL are statistically significant ($t_{GNI.pc.ppp} = 14.069$, $p = 0.000 < 0.001$, $t_{CL} = -10.269$, $p = 0.000 < 0.001$). Additionally, the constant coefficient is not statistically significant at conventional significance levels ($t = 1.542$, $p = 0.125 > 0.05$). The model has a very good total explanatory performance, as the coefficient of determination $R^2_{GNI, CL} = 75.1\%$.

In model 6, the b coefficients (0.028, -0.192, 1.411) of GNI.pc.ppp, CL and HDI are in the expected direction, indicating that in a certain country of the studied group, the higher the civil liberties, the higher the government effectiveness (GE) is and vice versa. Moreover, the higher the income per capita and HDI

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[21] The contribution of each independent variable in explaining the dependent's variation has been estimated for all six models and is available upon request.

are, the higher the government effectiveness (GE) is. Stepwise procedure did not include PR into the model as it does not add to the explanatory power of the model in a statistically significant level. The b's coefficients of CL, GNI.pc.ppp and PR are statistically significant (t_{HDI} = 4.372, p = 0.000 < 0.001, t_{CL} = -9.054, p = 0.000 < 0.001 and $t_{GNI.pc.ppp}$ = 8.607, p = 0.000 < 0.001). Additionally, the constant coefficient is also statistically significant (t = -3.261, p = 0.001). The model has a very good total explanatory performance, as the coefficient of determination $R^2_{CL, GNI, HDI}$ = 75.3%.

Tolerance statistics are high and VIF are low (VIF < 10) for all independent variables, indicating no serious multicollinearity problems. Condition index for the last dimension is low (< 15) and Eigenvalue is near 0 but not equal to it, both indicating not serious multicollinearity[22]. Studentized deleted residuals seem to follow the normal distribution according to all statistics and tests with the exception of the equation of regulatory quality and government effectiveness, which seem to face some but not very serious kurtosis problems. Moreover, Durbin-Watson test employed for all equations did not indicate autocorrelation. Therefore, all estimated models are approved denoting the existence of linear dependence of each of the six governance dimensions on each of the independent variables examined.

3.   Conclusions and policy proposals

3.1 Conclusions

The most basic relationships that emerge out of the empirical analysis between each of the six dimensions of governance and the employed economic, political and social predictor variables are summarized. As far as the economic factors are concerned, the results indicate that income per capita is positively associated with all the six dimensions of the predicted governance variable but it is most strongly correlated to the degree of corruption, the rule of law and the regulatory quality. As expected, the two variables, namely control of corruption (CC) and GNI.pc.ppp, are positively related. Therefore, higher values of GNI.pc.ppp are associated with higher values of CC, that is lower perceived levels of corruption. From a parallel point of view, the level of

corruption is an extensive one in low income countries. Moreover, as far the rule of law and regulatory quality are concerned it appears that their constituent elements and, more particularly, the protection of property rights and contract enforcement, the independent functioning of the justice, the respect of citizens for the accompanying governance institutions and the capacity of the state to formulate and enforce a coherent policy framework are more prevalent in high income societies.

The political system, mainly represented by civil liberties, seems to be another critical factor that affects the level of governance globally. More specifically, the level of civil liberties seems to be negatively associated with all the six dimensions of governance, that is the higher the protection of civil liberties the higher the quality of governance. However, it should be pointed out that the most strong negative correlation is present between civil liberties on the one hand and political stability and the level of voice and accountability on the other. As far as the political rights index is concerned, it is also correlated to the political dimension of governance. Concerning voice and accountability the sign of the relationship is negative as predicted by theory, since higher values of the political rights index correspond to lower political development. So, it is concluded that he long-run health of the political system often requires internal checks and balances, whereas openness and transparency are the best ways of ensuring that such structural mechanisms develop[23].

The strong correlation of the economic dimension of governance, namely government effectiveness and regulatory quality, with the human development index should be highlighted. This finding indicates the role of socioeconomic environment in the quality of policy formulation and enforcement. Social structures, as captured by the human development index, are related to the quality of public services provided and the credibility of government's commitment to such policies. Human development is also positively correlated to regulatory quality. Human capital building, which is shaped by the accumulation of its basic ingredients, is, therefore, closely connected with increased governance capacities[24]. Investing in basic social infrastructure, including education and health,

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[22] Collinearity diagnostics of each final stepwise model, skewness statistics, kurtosis statistics and their standard errors, Kolmogorov-Smirnov tests with their p values and degrees of freedom, the distribution of studentized deleted residuals, homoscedasticity tests for all equations have been estimated and are available upon request.

[23] Islam (2006).

[24] Countries with high levels of the human development index are associated with low levels of corruption (Rose-Ackerman, 2005), which is a fundamental aspect of governance.

Table 3. Estimates of governance determinants (2012)

	Model 1 (PSAVT)	Model 2 (VA)	Model 3 (RQ)	Model 4 (RL)	Model 5 (CC)	Model 6 (GE)
GNI	0.022***	0.011***	0.028***	0.037***	0.038***	0.028***
	0.003	0.001	0.004	0.002	0.003	0.003
	6.343	10.554	7.797	16.648	14.069	8.607
PR		-0.116***				
		0.021				
		-5.514				
CL	-0.283***	-0.345***	-0.217***	-0.254***	-0.236***	-0.192***
	0.029	0.025	0.024	0.019	0.023	0.021
	-9.634	-14.007	-9.186	-13.458	-10.269	-9.054
HDI			0.758**			1.411***
			0.361			0.323
			2.101			4.372
Constant	0.508***	1.296***	-0.224	0.227**	0.164	-0.752***
	0.136	0.042	0.258	0.087	0.106	0.231
	3.736	30.770	-0.870	2.598	1.542	-3.261
$\overline{R}^2$	0.566	0.959	0.753	0.822	0.751	0.753
Durbin-Watson	2.005	1.822	1.886	2.008	2.005	2.059

Notes: Values below coefficient estimates refer to standard errors and t-statistics respectively.   ***, ** denote significance at the 1% and 5% level respectively.

emerge as drivers of navigating towards sustainable human development, which is critical for promoting an adaptive governance structure

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3.2 Policy proposals

The results of the empirical section suggest that governance quality differs among countries due to the variation in countries' level of economic development, extent of political rights and civil liberties as well as their respective level of human development, which determine the overall level of institutional quality. Therefore, it is confirmed that countries should not follow a blue print for reform so as to increase their overall long-run development levels (Rontos and Vavouras, 2013). Moreover, these inclusively examined factors do not have a symmetric impact on governance structure, but vary depending on the specific dimension of governance under consideration. Insufficient governance capacities and failures largely unveil the existence of economic and political weaknesses as well as institutional and social underdevelopment. An alternative policy interpretation is that government performance is in part determined by economic development[25], whereas it is also shaped by the systemic variation in the political and social conditions of individual countries,

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[25] As far as the worldwide governance indicators project is concerned, it must be pointed out that good governance characteristics are not the privilege of rich countries only but of developing economies as well. For example, it is indicated that emerging economies like Botswana, Chile, and Estonia in specific governance dimensions, such as the control of corruption, score better than countries such as Greece and Italy, which are considered industrialized countries (International Bank for Reconstruction and Development, 2006). This argument supports the view that good governance is not only shaped by the level of economic development but by social and political factors as well.

especially those related to the level of non income human development.

In practical terms, the analysis implies that implementing universal policy recommendations to all countries indiscriminately, regardless of their economic, social and political background, proves to be at least unresponsive. Consequently, initiatives taken to promote good governance should correspond to individual sociopolitical traits of countries. Fighting endemic, deeply rooted weakness should involve a deliberate policy mix, targeted reforms and structural adjustments aiming at the root causes of governance failure. For these countries, the control of structural corruption requires additional global action aiming at the reduction of poverty (Lalountas, Manolas and Vavouras, 2011). However, in spite of the existence of context specific governance weaknesses prevalent in each country, there is scope for the emergence of overarching principles that embody economic development, democracy, equitable and sustainable human development. Accordingly, concrete policy measures lie at the core of the good governance agenda targeting a lengthy list of governance objectives, including developing anti-corruption safeguards, reinforcing the rule of law, achieving high standards of legitimacy and accountability, improving the performance of public institutions, among other attributes of effective governance systems.

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