the LEGACY of LEADERSHIP

TRANSFORMING NATIONS THROUGH GOOD GOVERNANCE

FREEDOM TO CREATE
Freedom to Create is an international non-profit organization. Freedom to Create partners national governments to catalyze positive governance and policy reforms, as well as to promote principled, effective public leadership.
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The quality of national leaders and institutions shapes a nation. Good governance and leadership are important foundations of a prosperous and flourishing society. Governments can, and must, strive to do better.
LEADERS GUIDE THE WAY

Through times of peace and conflict, and through the ups and downs of economic cycles, leadership makes all the difference. In every country and continent, the quality and contribution of leadership in government is critical. Presidents and prime ministers chart the course for nations, assessing risks, identifying priorities and focusing national efforts and resources to ensure those priorities are accomplished.

Heavy is the responsibility that falls on their shoulders. The transformative impact of wise decisions can propel a country and its people forward regardless of the obstacles in their way. Conversely, ill-informed and poorly timed decisions can stall years of progress, and even result in a country’s decline.

History is replete with examples of leadership, both good and bad. It is also holds plenty of examples – again, good and bad – of leaders who managed to transcend the system in which they operated.

HISTORY REMEMBERS WORLD-SHAPERS, BOTH GOOD AND BAD

Leaders who are remembered for transforming the world in which they lived include:

Winston Churchill
Whose courage and patriotism saw him consolidating European alliances and rallying a frightened nation against the Axis powers in WWII;

Martin Luther King Jr.
Whose force of character mobilized the Civil Rights Movement in the United States in the 1960s, reframing the way we perceive race;
Marie Curie
Whose unquenchable passion for science and dogged determination resulted in her winning two Nobel Prizes in different fields for groundbreaking work in radioactivity and the elements;

Pope Francis
For his unprecedented efforts to bridge religious and communal divides; and

Steve Jobs
For creating Apple, one of today’s most innovative and valuable companies.

In governance and the public sphere, national leaders who have created strong nations for future generations include:

Deng Xiaoping
For allowing market reforms and private enterprise to blossom in Communist China;

Aung San Suu Kyi
For displaying gentle but firm leadership in the face of overwhelming odds;

Nelson Mandela
For inspiring the African continent with his moral courage and helping to end Apartheid rule in South Africa; and

Jawaharlal Nehru
For his role in India’s independence and pushing for social reforms and women’s rights in a deeply divided country.
Conversely, poor or selfish leadership can bring even countries with vast natural resources and potential to ruin and isolation. In fact, countries with vast natural resources are even more susceptible to poor or corrupt governance because of the large wealth at stake, and the opportunity for kleptocratic leaders to enrich themselves without developing their citizens’ economic potential or health. Well-known examples include Kim Jong-II in North Korea; Robert Mugabe in Zimbabwe; Idi Amin in Uganda; Slobodan Milošević in the former Yugoslavia; and Mobutu Sese Seko in Zaire/Democratic Republic of the Congo.

THE PERILS OF WEAK GOVERNANCE

According to the 2016 Edelman Trust Barometer, “Failure of National Governance” consistently ranks as one of the top risk factors outside North America and Europe. This refers to a government’s inability to govern the nation due to weak rule of law, corruption or political deadlock.

Failures in national governance seriously undermine a country’s competitiveness, job creation and economic development. Weak national governance also creates space for organized criminals and terrorists to operate. Businesses face additional risks and costs from operating in countries affected by poor governance. This stems from the difficulties of working in an unpredictable environment. Trust is also eroded and citizens lose confidence in their governments. It is no surprise that the Edelman Trust Barometer reports that more than half the world’s population expresses distrust in government institutions.
FAILURE OF NATIONAL GOVERNANCE REMAINS A SUBSTANTIAL RISK IN MANY REGIONS

Source: Global Risks Perception Survey 2015.

Risk Category
- Economic
- Societal
- Environmental
- Technological
- Geopolitical

North America
- 1st: Failure of National Governance
- 2nd: Unemployment or underemployment
- 3rd: Profound social instability

Central Asia & North Africa
- 1st: Extreme weather events
- 2nd: Unemployment or underemployment
- 3rd: Failure of National Governance

Latin America & the Caribbean
- 1st: Failure of National Governance
- 2nd: Profound social instability
- 3rd: Unemployment or underemployment

Middle East & North Africa
- 1st: Water crisis
- 2nd: Unemployment or underemployment
- 3rd: Failure of National Governance

Sub-Saharan Africa
- 1st: Large-scale involuntary migration
- 2nd: Unemployment or underemployment
- 3rd: Fiscal crisis

South Asia
- 1st: Large-scale involuntary migration
- 2nd: Unemployment or underemployment
- 3rd: Profound social instability

East Asia and the Pacific
- 1st: Cyber attacks
- 2nd: Extreme weather events
- 3rd: Data fraud and theft

Europe
- 1st: Water crisis
- 2nd: Unemployment or underemployment
- 3rd: Failure of National Governance

South Asia
- 1st: Water crisis
- 2nd: Unemployment or underemployment
- 3rd: Extreme weather events

Central Asia including Russia
- 1st: Interstate conflict
- 2nd: Failure of National Governance
- 3rd: Failure of critical infrastructure

Ranking position in each region

Source: Global Risks Perception Survey 2015.
CORRUPT LEADERS IMPOVERISH CONTINENTS

Entire continents remain in poverty due to corrupt and ineffective leaders. The African continent is a classic example. The Mo Ibrahim Prize was created in 2006 by Sudanese billionaire Mo Ibrahim to “celebrate excellence in African leadership.” Prize recipients would receive US$ 5 million over ten years and US$ 200,000 paid out annually for life thereafter. Yet, in over a decade, only four African presidents have been deemed worthy of receiving the Mo Ibrahim Prize: Joaquim Chissano (Mozambique) in 2007, Festus Mogae (Botswana) in 2008, Pedro Pires (Cape Verde) in 2011, and Hifikepunye Pohamba (Namibia) in 2014.

The size of the Mo Ibrahim Prize may seem substantial to the lay person, but is dwarfed in comparison to the unthinkable amounts of national wealth plundered by corrupt leaders each year. In 2002, the African Union estimated that 25% of the GDP of African states, amounting to US$ 148 billion, is lost to corruption annually. In just Nigeria alone, economists at PricewaterhouseCoopers estimate that the economy could be US$ 113 billion larger if Nigeria’s corruption fell to the levels of less corrupt countries such as Ghana, Malaysia and Colombia.

It is no wonder that despite more than US$ 1 trillion of development-related aid being poured into the continent over the past 50 years, the majority of Africa’s population lives in poverty.

“Nations become great when their leaders are just men; they fall and fade when their just men pass away. Those who are in power set an example, good or bad, for the entire nation.”

- James Allen, English philosopher
LEADERS UNLOCK THE POTENTIAL OF NATIONS

National leaders are entrusted with a unique role and mission. Millions of people have placed their trust in them. At its heart, leadership is both a decision and a journey. Principled, pragmatic, humble and wise leaders are at the core of successful governments.

Former Prime Minister Mr Lee Kuan Yew, Singapore’s founding prime minister.
LEADERSHIP MAKES THE DIFFERENCE

The circumstances that affect a country or company – or even, a family – matter a great deal, but leadership, supported by systems of rules and capable management, determine how events are handled – and hence the outcome. But before we can talk about leadership, we must first be clear on what it is.

Much like prosperity, “leadership” does not lend itself to simple, single-sentence definitions. A good place to begin with leadership is clearly saying what it is not, and then discussing what remains.

LEADERSHIP IS MORE THAN HOLDING POWER

What separates a Winston Churchill from a Herbert Hoover, or a Ken Lay from a Jack Welch? Why did Lee Kuan Yew assume power and eradicate corruption (his party colleagues wore white at their swearing-in ceremony to highlight this point) while, at almost the same time in neighboring Indonesia, General Suharto institutionalized it? How did Margaret Thatcher define a decade of British politics and economics, while Cory Aquino’s term as President of the Philippines was such a disappointment and left so little trace? The pages of history are full of such contrasts, from Augustus to Caligula, from Pétain to de Gaulle, from the kleptocrats of post-colonial Africa to the leaders who made East Asia the post-colonial “miracle” region.

The Duke of Wellington remarked that “just because one is born in a stable does not make one a horse.” Being elected to office does not make one a leader. Leadership is more than title. There is an important distinction between holding power and being a leader. They may overlap in rare cases, but they are not the same thing. Anyone can be elected or stage a coup; only a small fraction of those who have attained power have transformed the businesses and countries which they have led.
LEADERSHIP IS MORE THAN A LIST OF SKILLS OR TRAITS

When we talk of a leader, we are talking of those few, and the qualities and achievements linked to their names. Hoover, Lay, and Suharto all held power, and each achieved some sort of success. One was elected, one appointed, and one seized power. But each is known for massive failure – moral or strategic – which undermined their ability to deliver the results expected of a leader. For Hoover, it was the financial collapse of 1929; for Lay, the Enron scandal; for Suharto, the multibillion-dollar plundering of Indonesia’s wealth.

Churchill, Welch, and Lee each came to power at critical moments, and each led – through force of character, through pursuing clear, simple goals with relentless determination, and by acting with a sense of unwavering purpose. So did Hitler, Bernie Ebbers of WorldCom, and Malaysia’s Dr Mahathir Mohamad – leadership is much more than a shopping list of traits. It is a combination of qualities and virtues, blended with morality and integrity, tested and laid bare in a few decisive moments.

On the positive side, leadership is symbolized by Churchill after Dunkirk, uniting a frightened nation behind his defiance and patriotism. It was Welch cutting costs, closing businesses, and investing in perhaps the strongest management training system of

“When you were made a leader you weren’t given a crown, you were given the responsibility to bring out the best in others.”

– Jack Welch
the 20th century. It was Lee giving a new nation a sense of identity through jobs, pensions, housing, national service, and an economy built on trade, not aid.

On the negative side, it is symbolized by Hitler’s defeated and divided Germany, a bankrupt Enron, a ruined WorldCom, an 80% devaluation of the Indonesian rupiah, racial division and corruption in Malaysia – and the lives limited, even ruined, in each case. Each of those named had remarkable ability to rise to the pinnacle of power; each behaved differently; the results show some to have been giants, some inept, and others villainous.

**LEADERSHIP IS MORE THAN HAVING FOLLOWERS**

Many judge the strength of leaders by their ability to amass a following. This notion of leadership emphasizes charismatic, visionary leaders who can show their followers the way, provide answers, and influence people to do what they want them to do. Successfully organizing and motivating large groups of people has indeed been vital to the historic movements led by Mahatma Gandhi and Martin Luther King. But evil leaders and inept leaders have had large followings too. The ability to persuade and mobilize is a skill, not the sign of a great leader.

Jim Collins, who takes pride in his data-driven writing, is reduced to defining a “Level 5 Leader” (the most effective kind, according to Collins) as one who “builds enduring greatness through a paradoxical blend of personal humility and professional will.” He says the most effective corporate leader is “more like Lincoln and Socrates than Patton or Caesar.” This is interesting but only underscores the enormous difficulty of defining – and therefore teaching or developing – great leadership.
FLAWED PEOPLE CAN BE GREAT LEADERS

Tolstoy wrote “the truth is obtained like gold, not by letting it grow bigger, but by washing off from it everything that is not gold.” In the same way, we can debate endlessly the traits of a good leader – corporate, military, or political – and we will emerge with a list that is interesting, but which frustrates and confuses as much as it informs.

Martin Luther King, for example, was an exceptional leader whose force of character mobilized the Civil Rights Movement in the United States in the 1960s. But how moral were his infidelities throughout his married life and his plagiarism at university?

Would he have been a better leader without these transgressions, or is personal morality irrelevant? Douglas MacArthur’s ego was so inflated that he countermanded direct orders from three presidents and had his wife call him “General”. Thomas Jefferson, author of the American Constitution, opposed slavery in his writings, but owned more than a hundred slaves on his property, Monticello.
Powerful, positive leaders can be flawed people – but flawed people can also be tragic, ineffective failures. For every Dr King who transcends personal weakness, there is a CEO or government official who resigns under the cloud of a “personal indiscretion”. For every General MacArthur whose ego achieves victories, there are leaders whose arrogance blinds them to risks and leads to disaster. Even moral failings, it seems, are not absolute predictors of failure, any more than moral strengths and certain personality traits ensure great leadership.

With each step closer to defining the core qualities of leadership, certainty seems to drift further out of reach. We know much, but ultimately emerge with an unsatisfying conclusion that some qualities seem to matter, but “it depends”.

**SKILLS, BEHAVIORS, AND VALUES MAKE A PROFOUND DIFFERENCE**

Breaking down leadership, one can see striking similarities between leaders who are revered and those who are reviled. Churchill and Hitler each had military careers, struggled in and out of politics, and understood the enormous power of oratory. Both led their countries in wartime, both were fierce nationalists, and both were decisive and ambitious. Both were students of history and believers in empire. They wrote and painted.

But beyond these details, the path diverges. One is remembered standing resolute in the face of adversity, the other as unleashing the holocaust. One became a giant and died a national hero, the other committed suicide in a bunker. One is an icon, the other a demon.

The same contrast is found in many leaders. To rise to prominence, leaders tend to have above-average skills in a number of key areas: oratory, personal relations, determination, and judgment, for example. The outcome of their leadership depends on how these skills are applied. Turned to benefit others, to create opportunity, to sustain
peace, the core skills of leadership can be a powerful force for good. Turned to plunder, to exert authority, to make war, these same skills can cause enormous harm. The distinction is more than academic.

**LEADERS ACHIEVE RESULTS THAT CAN BE SEEN AND MEASURED**

A more meaningful understanding of leadership begins by looking beyond the ambiguous lists of traits and seeing what a great leader achieves. At least then we may know when we have a good leader in our sights, even if we cannot pinpoint the precise reason for his or her success. Accomplishment may be the most reliable metric of leadership.

In the corporate world, accomplishment can take many forms, but long-term profitability, market share, and share value would be high on the list. Durability and reputation also matter. On the national level, GDP and social mobility are good indicators of successful leadership, though the responsibility can be shared (and is usually argued over) by the various branches of government. Success, at a corporate and national level, may of course be heavily influenced by factors beyond the leader’s control altogether (e.g. earthquakes or geographical location).

“All the great things are simple, and many can be expressed in single word: freedom, justice, honor, duty, mercy, hope.”

– Winston Churchill
TIMING IMPACTS LEADERSHIP

Then there is the issue of timing. Leadership results can be temporary. A president can create real economic and social progress (Suharto, 1967 to 1997) but see it all vanish, along with his reputation as a leader, in one, swift financial crisis exacerbated by his misdeeds. Another president can achieve mixed results in office but be remembered for galvanising a nation and dying young and tragically (John F. Kennedy).

US President John Fitzgerald Kennedy was assassinated in Dallas, Texas on November 22, 1963. He was only 46 years of age.

The best gauge at a national level is sustained wealth creation, which provides opportunity for the greatest number of people to lead full lives, contribute to a flourishing society and determine their own future. The clearest indicator of this is upward social mobility – the movement of people to higher living standards. Where policy changes can be tied to increases in social mobility, the link to good leadership is reasonably clear. But in many cases the link will be tenuous, and timing will confuse it further. Economic
and social policy changes can take months, even years to have an effect. But without a positive change in social mobility, above what might have been expected, it is hard to prove successful leadership.

Leadership itself can also be time-specific, referring to a moment or a period, rather than an entire life (and hence, an entire person). Churchill, for example, is honored for his role in World War II, not for his disastrous Dardanelles campaign of World War I, nor for his inability to connect with the British electorate in the 1945 general election.

Former President Clinton is respected for restoring some budget discipline and supporting intervention in the Balkans – not for his sexual indiscretions, and not for ignoring warnings about the threat of al-Qaeda. Former President Reagan is honored for restoring American pride after the drift of the Carter years, for helping to topple Soviet Communism, and for challenging the spread of “big government”. His reputation was sadly tainted at the end by the Iran-Contra scandal. Many leaders are great, however briefly. History can be a harsh judge; no leader is perfect and few achieve real, powerful impact for more than a short span of time.

POOR LEADERSHIP DESTROYS VALUE

And what of poor leadership? If good leaders create prosperity with sound decision-making, bad leaders can leave countries and companies in ruin. By “bad” we mean inept (Jimmy Carter), malevolent (Hun Sen), or a combination of both (Robert Mugabe).

At a corporate level, F. Ross Johnson’s dismantling of RJR Nabisco in the 1980s showed the destructive power of arrogant, selfish leadership. Johnson catered to his greed and ego – not Nabisco’s shareholders – when he attempted a risky leveraged buyout of
the company at US$ 75 a share, or US$ 17 billion. After a torrid battle for control (eventually won by KKR), the new owners sold pieces of the company to meet outsize interest payments, and fired 26,000 employees. Johnson left RJR Nabisco in tatters, but took a comfortable pension, close to US$ 1 million a year. Robert Mugabe, President of Zimbabwe, took a reasonably stable economy and enacted land and market reforms which proved disastrous. He also hounded political opponents and sanctioned racial violence towards white farmers.

In the first decade of the 21st century, Zimbabwe had the fastest-shrinking economy in the world, and annual inflation estimated at 100,000%. Between 2000 and 2007, the economy shrank 40%. In 2008, in a bid to end hyperinflation, the central bank removed 10 zeroes from the national currency.

Both men were leaders (as of mid-2017, Mugabe remains in office). Both showed strength of purpose, and an ability to inspire followers. Both also caused immeasurable harm to those they had sworn to protect (RJR Nabisco shareholders and employees, Zimbabwe citizens). What would have made them act differently? What does it take to ensure that leaders follow the example of Welch, not Johnson or Lay; Mandela, not Mugabe or Milošević (or Mbeki or Zuma)?

**LEADERSHIP PRODUCES MORE QUESTIONS THAN ANSWERS, BUT IS ESSENTIAL TO NATIONAL SUCCESS**

Even if history does not present us with a clean definition of what “good” leadership means, and what it takes to instill this kind of leadership, it does repeatedly demonstrate its importance. Across centuries and borders, leadership has made the difference between success and failure. They are often the catalysts of prosperity, and those who help sustain it.
Cyrus and Alexander, though separated by two centuries, share many similarities – the most obvious being the suffix history has attached to their names: “the Great”. Both men were gifted military strategists, routinely defeating enemies not through the size of their army but through the brilliance of their tactics. Cyrus once dammed the Euphrates River to launch a surprise attack. Both men were born princes and vastly expanded the empires through their military genius. Alexander read Xenophon’s Cyropaedia – which tells the life story of Cyrus – and expressed deep admiration for Cyrus. Cyrus’s story had such an impact on Alexander that he made a special visit to the Persian capital, Pasargadae, to visit Cyrus’s tomb. Discovering that his troops had ransacked and defaced the tomb, he ordered it be restored and severely punished the men associated; a sign of ultimate respect from Alexander, a man who ordered entire cities to be burnt to the ground.
The empires Cyrus and Alexander built, on the other hand, share little similarity other than their sheer size. Alexander’s empire weakened towards the end of his life, and was quickly divided after his death. Cyrus’s empire lasted until Alexander dismantled it. The unprecedented governmental structure Cyrus created endured much longer than his empire, as it was carried through Iranian dynasties including the Sassanids and the Parthians. Cyrus is still referred to as the “Father of Iran.”

Cyrus’s empire was divided into four capital states. He allowed a moderate regional autonomy in each, creating an administrative unit in each state to

“Whenever you can, act as a liberator. Freedom, dignity, wealth – these three together constitute the greatest happiness of humanity. If you bequeath all three to your people, their love for you will never die.”

– Cyrus the Great
handle affairs such as providing for local security and keeping official records. These states then reported to a central government, supplying troops and money when needed. By ceding power to the states, Cyrus was able to maintain stability and control a vast empire which comprised dozens of countries, races, religions, and languages.

Under Cyrus’s rule, the empire not only expanded, it flourished. By creating several relay stations throughout the empire, Cyrus established the first postal system known to man. In Pasargadae, he constructed networks of irrigation canals, exquisite palaces, and gardens using innovative building techniques acquired from the different cultures under his rule.

Cyrus’s legacy is more than the structure and effectiveness of his governance – it includes how he led, and especially his respect for the rights of those he ruled. When Shirin Ebadi accepted the 2003 Nobel Peace Prize, she discussed Cyrus in her speech, saying that this emperor “proclaimed at the pinnacle of power 2,500 years ago that ‘he would not reign over people if they did not wish it.’ He promised not to force any person to change his religion and faith and guaranteed freedom for all. The Charter of Cyrus the Great should be studied in the history of human rights.”
The charter Ebadi referred to is known as the Cyrus Cylinder, which is considered one of the first declarations of human rights. In a time of despotic and cruel leaders, Cyrus’s tolerance was markedly different and ahead of its time. Instead of persecuting or exploiting religious minorities, he protected them.

Cyrus was able to combine the knowledge and humility needed to be an effective leader, with the tolerance and virtue required to be an inspirational one. History is littered with leaders who abused or wasted power, who took more than they gave, whose legacy is one of waste and missed opportunity. Cyrus is on a different, distinguished – and sadly, shorter – list. He serves as an example of the power of leadership. His life and legacy remind us, just as they did Alexander, that leadership can re-draw maps, redefine how governments run, and provide guidance for all those who come after.

Xenophon captures this perhaps better than any. In Cyropaedia, he writes:

“What other man but Cyrus, after having overturned an empire, ever died, and had the title of Father given him by the people he subjected? For it is plain that this is the name of one that bestows, rather than one that takes away.”
FIVE PRINCIPLES
OF PUBLIC LEADERSHIP

Wise and effective leadership is the foundation that supports national prosperity.

Uncompromising on Principle, Pragmatic on Policy

Think Inclusively and Foster Unity

Take The Long View

Choose Advisors Carefully

Lasting Change Starts From The Core
LASTING CHANGE STARTS FROM THE CORE

Leaders must set the right examples through the way they live their lives. If a leader cuts corners or prioritizes his own career above the well-being of the nation, his staff will not be motivated to do better and will likely follow his negative example. As the saying goes: “you are what you do, not what you say you’ll do.” Leaders who live uprightly have the moral legitimacy and standing to expect positive changes from their people.

Character is key in the recruitment and promotion of public officers – often more so than talent or intelligence. A large organization can always find meaningful work for someone with sound values, an upstanding character, and a strong desire to pick up the relevant skills. However, it is dangerous for a government to hire people who are intelligent but oppose the values and principles of public service. Such people are likely to exercise their intellect and skill in destructive ways to undermine the organization’s culture, or for their own gains. As Warren Buffett wisely said: “In looking for people to hire, you look for three qualities: integrity, intelligence, and energy. And if they don’t have the first, the other two will kill you.” Promotion should be based on character as well as performance, to reward those with integrity and good values, and recognize the important role they play in keeping the organization honest and principled.

How can government leaders instil sound values and a positive governance culture throughout the tens of thousands of public officers, if not more, under their charge? In large, decentralized systems with multiple tiers of national, provincial and local government, or in countries with geographically dispersed populations, it is easy for errant officials to misbehave or abuse the rules without fear of detection or punishment. On the other hand, it is easier for leaders to appoint and supervise key staff in small countries.
Great leaders know that a country’s large size should never become an excuse for inaction. Former Hong Kong anti-corruption chief, Tony Kwok, advises large countries to start from their capital cities. The capital is where a significant part of the population resides and where top-level corruption usually takes place. By starting from the core, success will breed success. Advances in anti-corruption policies and enforcement in the capital cities will have a huge impact on the business and investment climate, and the public morale of the country as a whole. Once corruption in the capital city is under control, regional anti-corruption offices can then be set up in secondary cities to spread and consolidate the gains. Local leaders will take their cue from what is happening in the capital city, and recognize that the top leadership is serious in its efforts.

“Our Chief Executive has on many occasions reiterated the government’s firm commitment to fight corruption, and it is not just words.”
– Tony Kwok Man-wai

Leaders should make their expectations clear to their staff, and explain the importance of the organization’s values. Speeches, staff appreciation events, training courses and even monthly letters to all staff from a Minister or senior civil servant highlighting inspiring stories and positive behavior can be a powerful motivating force in culture change. Good leaders recognize the value of having the right processes and the right people – each supports the other. Without the right people in place, any system or set of rules can be subverted and bypassed.
THINK INCLUSIVELY AND FOSTER UNITY

The ethos of public leadership must be people-centric. No leader is an island; bright leaders and well-resourced institutions are of little use, if there is no focus on building cohesive, well-functioning teams.

Former British Cabinet Secretary Lord Gus O’Donnell and former Singapore Head of Civil Service Lim Siong Guan are well respected for their roles as people developers in their respective governments. In addition to their demanding official responsibilities, they found time to nurture and groom a generation of new leaders, share their thinking and insights with fellow leaders and staff, and to deploy people where they could best learn and flourish, given their aptitudes and strengths.

One of the crucial talents of great statesmen and women is their ability to unify and rally disparate groups, often divided by ethnicity, religion, ideology, interests and agendas. What distinguishes them from dictators like Adolf Hitler is their ability to unite without resorting to demagoguery to incite popular fear or hatred, often against minority groups or imagined external threats from neighboring states. Nelson Mandela, Barack Obama and Aung San Suu Kyi are examples of national unifiers and healers, although their records as leaders are clearly not perfect.

Successful leaders also place great emphasis on assembling a strong, unified team. Lee Kuan Yew emphasized that “talent is a country’s most precious asset. For a small, resource-poor country like Singapore, with two million people at independence in 1965, it is the definitive factor.” He added that “after several years in government, I realized that the more talented people I had as ministers, administrators, and professionals, the more effective my policies were, and the better the results.” Cabinet leadership in Singapore has always been
Inclusive leadership must be representative. It is up to each leader, each organization and each country to collectively define what “representative leadership” means to them. In Switzerland, the collective leadership of the Federal Council is seen as legitimate due to its delicate and closely watched balance of German-speaking and French-speaking candidates, as well as representatives from different political parties and regions. For the United Nations, there is recurring debate over whether the Security Council’s permanent members accurately represent today’s geopolitical power balance, or whether they reflect the post-World War II balance of power that is now obsolete. However, leaders are not representative simply because they belong to a specific religious, ethnic or regional group. They must also work with other leaders to bridge differences, and consider broader national interests beyond their affiliations.
CHOOSE ADVISORS CAREFULLY

Throughout history, great statesmen and leaders understood that the only way to improve the average talent level in their organizations was to hire people better, smarter and more driven than themselves. Great leaders have the confidence to attract and lead these talented individuals without feeling threatened or belittled by their critiques and suggestions.

Andrew Carnegie, the great American steel magnate, once said that his epitaph should be: “Here lies a man who had the wisdom to gather around him men greater than himself.” Centuries earlier, in AD 643, Chinese Emperor Taizhong of the Tang Dynasty lamented upon the death of a trusted advisor, “Using copper as a mirror allows one to keep his clothes neat. Using history as a mirror allows one to predict future trends. Using a person as a mirror allows one to see what is right and wrong. I have lost such a mirror.”

A government leader is placed in a position of power and authority; his decisions can affect millions of people’s lives. Leaders have a duty of care to ensure that they do not take advice lightly. They should rigorously examine all advice and advisors, to be as certain as possible that their advisors’ recommendations are in the best interests of the country. Often, bad advice is worse than no advice.

In this vein, Singapore’s founding Prime Minister Lee Kuan Yew was an accomplished criminal lawyer who would meticulously interrogate his staff and advisors for hours on every detail of their proposals. He did this to ensure that they had done their homework, that their advice was based on sound reasoning, and to instil in them the same rigor and care when they became leaders in future.
Selecting the right advisors is important. Good leaders ask: are their potential advisors overly academic or theoretical? Do they have experience in the issues they are advising on? Are they sensitive to the realities of what is possible, and to local culture and context? Choosing the right advisors is an important step, but even the best advisors can only flourish in an environment where leaders are open-minded and encourage dissenting views. From former National Security Advisor to the USA, Henry Kissinger, to Chancellor Wei Zheng in Tang Dynasty China, these great advisors were only able to fulfil their potential because their leaders understood the value of frank and honest counsel, where a more insecure leader might have felt threatened or insulted.

Leaders may also be tempted to reward or promote officials who blindly agree with them, mistaking acquiescence for intelligence and ability. This will discourage honest feedback and result in a narrow-minded decision process. To avoid these tendencies, leaders can consciously ask each manager or advisor to offer a different perspective or viewpoint, to signal that a diversity of views is welcome.

IV

TAKE THE LONG VIEW: UNDERSTAND HISTORY AND HOW WE GOT HERE

Many so-called “new ideas” and trends today have been thought of or tried many times before. It has been said that history may not repeat itself, but it definitely rhymes. Leaders who do not understand history are more susceptible to making avoidable mistakes. A few examples will illustrate the richness of governance and policymaking through the centuries:
The Singapore government’s meritocratic and performance-based scholarship and recruitment system was implemented in the 1960s. This drew inspiration from the centuries-old Imperial examination system in China. Each Chinese candidate had to pass five gruelling District level examinations to be awarded shengyuan (government scholar) status. Test venues were closely guarded, candidates were searched to discourage cheating, candidates and examiners were not allowed to enter or leave during each three- to four-day examination, answer scripts were marked anonymously to ensure fairness, and results were posted publicly for transparency. The rigor of the Chinese system extended to ensuring that newly graduated officials were posted to foreign provinces, to reduce the chance that they would exercise their influence to benefit their families and friends. Leaders who understand this history will know that nepotism, favoritism and backroom deals are not inevitable features of civil service appointments in large countries.

A model depicting how China’s Imperial examinations were conducted.
• The modern system of public R&D funding in Japan and the USA, and the idea that the state should support and finance scientific research began with the prevalence of royal patronage and prizes for scholars in courts as diverse as China, England, Florence, Japan and the Abbasid caliphate. This spurred scientific progress and inquiry from the 10th to the 19th centuries. These funds were later supplemented by funds raised from the sale of inventions and instruments, grants from scientific societies and the proceeds of expeditions. Countries that have recently slashed public expenditure on R&D, with the excuse that the private sector will fill the gaps, would do well to take reference from the success of active state research support.

• Today, various political leaders worldwide debate the merits of a minimum wage, but few know that the world’s first modern minimum wage law was enacted in 1894 in New Zealand. Its history goes back further, to the pegging of wages to the price of food in 14th century England, and later to King James I’s passage of a minimum wage act in 1604 for the textile industry. Even fewer leaders would ask why, and seek to understand the circumstances that led to these laws. Some politicians erroneously associate minimum wages with higher unemployment, economic chaos, or even communism, but there is strong empirical evidence from the London School of Economics and MIT showing that robustly determined and well-implemented minimum wages have little impact on medium-term unemployment and do not cause lower growth.

Good organizations invest in their own permanence. This means they record their struggles and triumphs. Great leaders across history wrote and recorded their stories. Alexander the Great, Julius Caesar, Augustus, Napoleon, and Churchill are examples. The political system of the USA, with its distinctive separation of powers, traces its philosophical roots to several of its constitutional drafters,
Alexander Hamilton, James Madison and John Jay. Reading their essays as collected in *The Federalist* would give any aspiring leader a unique, valuable perspective on the intricacies and tensions within the US system. The historical record serves as a playbook for future generations so that good strategies continue and poor strategies are not repeated.

Wisdom dictates that reforms should not be made until the reasoning behind the existing state of affairs is understood. This principle is succinctly summarized from a quote by the English writer and philosopher G. K. Chesterton: “Whenever you remove any fence, always pause long enough to ask yourself, ‘Why was it put there in the first place?’”

Sadly, in many governments, poor knowledge management, improper filing and documentation, frequent rotation or departure of staff and frequent leadership changes have led to systems incapable of generating and retaining institutional knowledge over the long term. This knowledge consists not only of facts and data, which are more easily recorded, but also tacit wisdom, practical experience and deep understanding of issues. Even when there is documentation, it is often biased and one-sided, only reflecting the perspectives of the dominant party or leader. It is therefore not uncommon for new government leaders to take office, guns blazing, and make sweeping policy changes without first acquiring sufficient knowledge of the rationale and context of the existing policies, and why they were implemented.

Good leaders understand the past, but are not be shackled by it. Their understanding goes beyond superficial familiarity; they put in genuine effort to distil the insights of past successes and missteps for the benefit of future generations. They allocate sufficient resources to this task.

“Those who cannot remember the past are condemned to repeat it”

– George Santayana, Spanish-born philosopher
UNCOMPROMISING ON PRINCIPLE, PRAGMATIC ON POLICY

Principles are important cornerstones: they guide and support us in making sound decisions. However, a blind insistence on principle will rarely suit the best interests of the nation. Leaders must be able to exercise discretion, judgement and flexibility, and to recognize that eclectic, pragmatic solutions are often required. Pragmatism requires leaders to evaluate their ideas by their consequences.

One example of principled but not purist leadership is in economic policy. A fundamental principle is to “Do No Harm”. This means that the government should be convinced that its actions will not cause significant harm to the economy. It is a sound principle. However, at times, it may be necessary for a government to take measures that inflict short-term pain on the economy, in order to reap longer-term gains. For instance, Singapore restricted the supply of cheaper but low-skilled foreign labor to encourage businesses to use more automation and capital-intensive processes and to raise productivity, while some US states voluntarily introduced a price on carbon emissions to promote energy conservation and renewable energy use. These measures increased business costs, but will help the economy to restructure and become more resilient in the longer term.

Another example lies in the fundamental principle of having checks and balances in government. Lord Acton famously opined that “Power tends to corrupt, and absolute power corrupts absolutely.” In the US, this philosophy is enshrined in the separation of powers between the executive Presidency, the bicameral House of Representatives and Senate legislature, and the judiciary, represented by the Supreme Court’s power to interpret and uphold the Constitution. However, this same system can also result in political deadlock, shackling leaders at times when bold action is needed.
This was seen when Congress’s inability to pass important fiscal measures and economic reforms threatened the recovery of the USA after the debilitating 2008-9 financial and banking crisis.

On the other hand, history points us to success stories like Singapore whose government was relatively unfettered and could make rapid changes and respond quickly during crises. In the late 1950s and 1960s, Singapore’s leaders believed that rigid adherence to the complex policymaking and legal processes common in advanced countries would tie down the government with endless paperwork, committee reviews and lawsuits. Instead, armed with a strong electoral mandate, its powerful leaders and civil servants moved swiftly to address national challenges such as the desperate need for land reforms and public housing, sometimes without waiting for formal budget approvals or the green light from committees and superiors.

Singapore’s developmental experience suggests that laws and rules are useful to restrain government excesses and prevent abuses. However, if there are urgent national needs, as well as a golden window of opportunity in the form of a strong team of good, honest leaders with a “can do” spirit, the best solution may be to allocate these leaders the necessary budget and staff, and to empower them to run as quickly forward as possible to achieve their mandates unfettered by paperwork and bureaucracy, while always keeping the larger national goals in mind. As the nation developed and the government grew more complex, processes and regulations became stricter, and policymaking today is far more structured and institutionalized.

At the end of the day, leaders are judged by the values, vision, decisiveness and skill they bring to the task. How the leader handles change and creates opportunity matters more than the particular ideology history ascribes to his or her views. Pragmatism is not an ideology but a trait of good leadership.
Dr Albert Winsemius, Singapore’s economic advisor from 1961 to 1984, played an instrumental role in building Singapore’s economy. He was a leading Dutch developmental economist, but also a deeply practical man, having worked as a cheesemaker and salesman and held a job throughout college, before serving the Netherlands as its director-general for industrial development. This gave him a good combination of academic learning, private sector and marketing experience and government policy work. Singapore’s leaders recognized the value of Winsemius’s advice during his visit to Singapore as leader of a UN technical assistance mission, and wasted no time in offering him a more long-term role.

His early recommendations were unconventional but prescient, and had little to do with textbook economic theory. For instance, he advised that Singapore neutralize the Communist Party elements in the country, and leave the statue of its British colonial founder Sir Stamford Raffles standing in a prominent area. Leaving the statue signaled to investors that Singapore had come to terms with its past and remained open to foreign investment and trade with the West, unlike many former colonies in the 1960s.
During his appointment, Winsemius pushed for trade-led investment and industrialization, diversified Singapore’s economy, promoted higher and scientific education when the conventional wisdom was to invest in more factories, promoted Singapore passionately during meetings with foreign MNCs, and introduced potential investors in the petrochemicals and electronics sectors to Singapore. Such advisors, who are equally proficient in the boardroom and outfield in the trenches, are invaluable to governments.
HOW THE MIGHTY FALL

The path of leadership is rife with obstacles, distractions, and temptations that must continually be overcome and avoided. These barriers undermine even the most carefully thought-out strategies and well-intentioned leaders.

Painting by Eugène Delacroix titled “La Liberté guidant le peuple” or “Liberty Leading the People”.

Painting by Eugène Delacroix titled “La Liberté guidant le peuple” or “Liberty Leading the People”.
PRIDE

Pride limits all who indulge in it. Proud leaders are authoritarian, seeking power and validation instead of answers or results. Dominated by selfish ego, those burdened with pride act for recognition and compensation, defining success by what they accumulate. Those who are wise do the opposite, approaching every task, each day, with humility. Those who acknowledge how little they know and how much they have to learn enjoy the ideal attitude to identify opportunities and recognize risks. The door to wisdom can only be found by those who have released themselves from the chains of prideful, selfish impulses.

LACK OF COUNSELLORS

Those who believe they carry all the answers are blind to the wisdom of others. But as Plato said, the very act of seeking counsel is a form of wisdom. A select group of trusted counsellors allows you to confront the brutal facts you might otherwise choose to ignore. Importantly, wise counsellors also bring different perspectives and opinions, constantly broadening horizons and challenging established assumptions. They raise new ideas and help connect old ones. And, importantly, counsellors hold leaders accountable for their actions.

“For lack of guidance a nation falls, but victory is won through many advisers.”
– Proverbs 11:14

EXCESSIVE OVERREACH

Those with focus and discipline operate in their areas of strength, recognizing their limitations and blind-spots. Ambition can blur these lines. This blind pursuit of more dilutes focus and causes companies and individuals to stray into new areas – unequipped – for the wrong reasons.
COMPLACENCY
Countries can become vulnerable when they experience dramatic success. Success breeds arrogance and entitlement, giving way to complacency. Believing that success is guaranteed, governments stop innovating; they spend less time exploring ways to improve, attention to detail begins to slip, and opportunities pass by. Success is the ultimate test of a nation’s character. Complacent countries would rather be happy than better. Where contentment exists, the dangers of complacency lurk.

BUSYNESS
Needless activity can be as destructive as complacency. Basketball player John Wooden famously said, “Never mistake activity for achievement.” Incessant action – busying oneself with being busy – creates blind-spots and noise. It may feel good to be busy, but moving relentlessly blurs focus, wastes energy, and squanders resources. Being busy should stem from a deliberate march toward national goals. Busyness for any other reason lends itself to ill-thought-out work and inefficiency. Finding a balance between busyness and complacency is a delicate task, but it is of great importance.

SEDUCED BY CROWDS, LACKING STRENGTH
The currents of convention are strong. They can be overbearing, arresting new ideas with the false wisdom of groupthink, or they can be alluring, tempting organizations and individuals with the comfortable harbor of the status quo. Being seduced by the crowd undercuts wisdom. Hindsight reveals that the wisest actions were once deemed foolish by the masses, yet this individuality is precisely the seed that sprouts success. Wisdom is impossible without independent thought and financial strength, the latter of which gives organizations and individuals the confidence to swim freely against the current, and to seek opportunities where others are afraid to look.
NARROW-MINDEDNESS

Wisdom requires a respect for knowledge not yet learned. The only way to achieve wisdom is by admitting you do not know everything. Comfort can be a trap, leading us to assume that what once worked always will. Success may not change, but what it requires always will. Only those willing to continually broaden their horizons and adjust to change will continue to achieve it. This means devoting time and energy to studying and understanding the core principles and philosophy of a given field, and being open to seemingly impossible truths. Commenting on the limited vision of so many of his time, Henry Ford famously said, “If I had asked people what they wanted, they would have said faster horses.” Many of history’s wisest decisions were made because someone refused to be bound by established thought.

REASON

On the surface, reason may appear to be a pillar of wisdom, not a barrier to it. Yet often, reason contributes to narrow-mindedness, busyness, and complacency. If a problem is difficult, reason often tells us it is insurmountable. Albert Einstein once said, “I never made one of my discoveries through the process of rational thinking.” Reason, of course, can be an asset, but in the context of wisdom it can draw rigid, unbending lines where a flexible, open mind is ideal. Worse, reason looks to deny our spiritual intuition, the intangible part of this world that cannot be explained. What is considered reasonable evolves throughout time. Convention should therefore not bind us but compel us to move beyond what is “proven” and recognize the power of thinking beyond reason.
Sound and effective governance is a competitive asset for any country. Strong institutions and partnerships, coupled with well-designed and implemented policies and programs, will enhance public value and support national development.

The Supreme Court building in Washington D.C., USA.
GOOD GOVERNANCE MUST SUPPORT LEADERSHIP

Governance – the systems, processes, and institutions of public administration – is the hardware through which the software of leadership operates. Good governance magnifies the positive impact of great leadership. To some extent, sound institutions, policies and processes can also help a country tide over periods of weak or bad leadership by adding stability, continuity and predictability, as leaders come and go. Because of this, great statesmen think long term – they build and leave a legacy of strong systems that transcend themselves.

The best form of governance is effective, transparent, and accountable to citizens and stakeholders. It espouses positive values and principles, but it is not rigidly ideological or explicitly political. It creates genuine opportunities instead of merely handouts, and provides options and choices for people throughout the socioeconomic spectrum, improving social mobility and well-being. Well-governed nations support the movement of people to higher living standards over time, effectively moderate the entrenchment of special interest groups over time, and encourage all individuals to be the best they can be.

GOOD GOVERNANCE IS A STRATEGIC ADVANTAGE

In the 18th and 19th centuries, industrialization gave European powers a military and economic advantage, and allowed even relatively small nations like Portugal to establish multiple colonies around the world, often controlling far more territory and population than in their own nations. Financial and military strength allowed the USA to establish its status as a superpower in the 20th century, and to entrench this position through multilateral rulemaking, economic investments, military deployments and the USD serving as a global reserve currency. Controlling the factors of production gave the USSR the temporary means to match or exceed the USA in the Cold War arms race: but this ultimately proved unsustainable. Superpower rivalry, a weak economy and Soviet Republics’ demands for political liberalization led to the collapse of the USSR.
Today, in an era of relative global peace, things such as good governance and technological prowess are becoming more important advantages in the global competitive arena. The World Bank’s former director for global governance, Daniel Kaufmann, stated that countries that improve their governance effectiveness raise their standard of living, as measured by per capita incomes, by about three times in the long run. We observe that many countries with good governance systems are also prosperous, stable nations like Denmark, Singapore, Switzerland and New Zealand. On the other hand, there are few examples of nations that are badly governed, yet wealthy and advanced.

A country that is well-managed, stable, has sound and fairly implemented policies and offers a liveable environment, will be a magnet for talent and investments from around the world. This in turn will give the state (and society) more resources to invest, maintain security and order, promote free enterprise, support social cohesion and improve people’s lives further. If done right, this results in a virtuous cycle.
EVEN VIRTUOUS CYCLES MUST START SOMEWHERE

It is often daunting for leaders in countries beset by severe challenges to conceive of a better situation and long-term reforms: often, short-term political survival preoccupies their minds. How can positive changes take place in an environment of corruption, poor governance, a weak economy and societal apathy? It is like asking if seeds can germinate and grow into healthy plants if sown in poisonous, dry soil. It is theoretically possible, but very unlikely. Each country’s journey is its own, and the environment for positive change can arise from various circumstances. There are, however, a number of conditions that have enabled various countries to break away decisively from a system of poor governance and low growth, and establish self-reinforcing dynamics of success. These conditions include:

- Strong political will from a newly elected leadership that is firmly in charge (or that has successfully forged sufficient alliances and partnerships with rivals that do not compromise national interests in a fundamental way);
- A broad-based popular movement that supports positive change and government reform;
- A national leadership that is values-driven and recognizes the importance of building a strong and enduring foundation for long-term development; and
- Favorable external conditions (such as high resource prices that may provide a windfall that can be used to finance systemic changes, or to push through tax reforms or subsidy removals at a time when people will not be badly hurt, and have the chance to adjust).

Often, national emergencies and crises can also serve as springboards for positive change if countries respond to the challenges well. For instance, a series of debilitating droughts in Mexico led to the passage of a comprehensive National Water Plan (2013 to 2018) and catalyzed public and private collaboration and investment in water projects, following years of political gridlock.
EACH ARM AND INSTITUTION OF GOVERNANCE PLAYS AN IMPORTANT ROLE

For good governance to be a reality, all public institutions and leaders must honor the responsibility and trust placed in them in the exercise of their core functions.

Legislators and political leaders must propose, debate, and vote in support of sound policies and laws. Often, their legitimacy and mandate is earned through popular elections and they continue to engage and advocate on behalf of their constituents. Good government leaders must look beyond short-term political victories and sound bites, and be responsible stewards of both the internal systems of government (institutions, laws) and the external systems (societies, cultures, markets) they steward.

As an organ of the state, an independent judiciary interprets the law, adjudicates and rules on disputes, and in some cases ensures that laws and government actions are not in violation of a country’s Constitution. It also plays a key role in the enforcement of stable and secure property rights, an essential precondition for economic growth. Public officers are the executive arm of the government, and are tasked with implementing and administering laws and policies. This is done mostly through programs that are designed by ministries or similar government bodies, and financed through government revenue, donations or debt.

Government ministries may also use rules, incentives, and sanctions to encourage and enforce compliance and cooperation. The “last mile” of implementing public policies is key – often, good laws and policies fall at this final hurdle due to low operating capacity,
insufficient funds, or corruption. Regulatory, audit, enforcement and evaluation agencies must check abuse and corruption, ensure that laws are observed, seek good value for money in procurement and financial matters, and determine whether public policies and spending achieves their goals.

Overall, the incentives and motivations that drive the system as a whole must be sound. If greed and corruption take hold, no government can function effectively. To control corruption, leaders must professionalize the civil service, hire based on merit, fairly reward and develop good career paths for promising officers, and punish negligence or corruption visibly and consistently.

**SINGAPORE: A CASE-STUDY IN DEVELOPMENT**

Singapore exemplifies the tangible benefits of sound governance and a business-minded approach to generating prosperity. In the span of a generation, Singapore has gone from a third-world country with roughly the same GDP per capita of US$ 428 as Ghana, to a fully developed country with a GDP per capita of US$ 59,936, the third highest in the world as of 2012.
**Singapore Succeeded Because It Sought Investments, Not Aid**

Many have tried to argue that Singapore’s success was inevitable, and because of its unique features, carries no lessons. These people argue that Singapore was easy to manage because of its small size, and that Singapore’s location gave it an advantage most developing countries do not share. This is a distortion of history. As Singapore neared independence, commentators deemed the place hopeless.

It was a risky and volatile place with no natural resources of its own and with race riots in the streets. An article published in the 1965 London Times said that if Britain withdrew, “Singapore’s economy would collapse.” Its success was far from guaranteed.

Singapore’s remarkable journey to prosperity was guided by an understanding that trade and commerce – not aid and charity – create and sustain prosperity. After independence, Singapore sent trade missions around the globe seeking investment and encouraging companies to locate in Singapore. This contrasted sharply with the approach of many post-colonial developing countries, which sought development assistance and often nationalized or expelled foreign corporations.

**Lee Kuan Yew – Visionary, Ethical Leadership**

It was Lee Kuan Yew’s visionary leadership which guided the new country through this delicate period, helping Singapore resist the urge to rely on aid, and to avoid the mistakes of other developing countries. Recognizing the crippling effect corruption has on a government and nation, Lee gave government officials salaries almost equal to those earned by leaders in private companies. This reduced the incentive for those in power to steal, and encouraged politics to be a first choice for gifted individuals, not a last resort. He also introduced – and implemented – some of the toughest anti-corruption laws of any country.

Lee’s brilliance lay in his understanding of the power of small decisions: one of the first investments Singapore made was to build a well-maintained road from the airport. He explains the importance of this decision in his book, *From Third World to First*:
“I thought the best way to convince them [visiting CEOs] was to ensure that the roads from the airport to their hotel and to my office were neat and spruce, lined with trees and shrubs… . Without a word being said, they would know that Singaporeans were competent, disciplined, and reliable, a people who would learn the skills they require soon enough.”

The Lee Kuan Yew-led government knew that foreign investment would be a critical driver of Singapore’s prosperity, so they deliberately created a welcoming environment for the best companies and innovative ideas. They did this by building the communications and transportation infrastructure necessary to conduct business; by investing heavily in national security so it was safe to do business; and by providing tax incentives so it was lucrative to do business in Singapore. In 2013, Singapore had the highest-possible rating on the World Bank’s “Ease of Doing Business” scale, and out-performed nations with larger populations and more natural resources.

The lessons are clear: economies and governments reap what they sow; aid begets dependence; entrepreneurs and commerce create prosperity. Singapore’s prescient governance shows that eliminating corruption makes an efficient meritocracy possible; that an educated and safe population can become self-reliant; and perhaps most importantly, that trade and commerce can, and will, drive a nation towards prosperity.
Singapore and Malaysia are geographically adjacent, and both territories originally comprised part of the British colony of Malaya until Singapore’s independence in 1965. Both countries inherited British common law, civic institutions and an English-based education system.

About 50 years later, Singapore has become a global leader in the ease of doing business and has generated first world living standards for its citizens, while Malaysia remains trapped in middle-income status. Despite having 26 million fewer people, Singapore’s total GDP rivals Malaysia’s. According to the IMF, Singapore’s GDP per capita (adjusted for purchasing power was 85,253 international dollars in 2015 – the third-highest country in the world. Malaysia’s was less than a third of this. Singaporeans enjoyed an average lifespan of 83 years – about eight years longer than in Malaysia. The UN reported in 2013 that Singapore’s homicide rate was 11 times less than Malaysia’s.

Why might this be? It is difficult to compare nations, but there are some striking governance differences. While Singapore built an economy on international trade, globalization, competition, and meritocracy, Malaysia implemented economic policies that explicitly favored some ethnic groups above others, and allowed cronyism and corruption to pervade the police force, the judiciary, and the civil service.

In 2016, Malaysia’s Prime Minister Najib Razak and several senior government officials became embroiled in a corruption scandal involving State investment company 1Malaysia Development Bhd (1MDB). Allegations surfaced that 1MDB had been used to siphon state funds into the Prime Minister’s personal accounts, and to people associated with him. This
resulted in a global investigation, asset freeze and a lawsuit initiated by the US Department of Justice.

The results cannot be denied: there is a dramatic gap in income, quality of life, and opportunity between Singapore and her northern neighbor. Malaysia has done better than many post-colonial societies, but significantly less well than it might have, with wiser governance choices.

Kuala Lumpur, Malaysia skyline with the Petronas Towers and other skyscrapers.
Theories abound on how to foster wise and far-sighted public leadership and build sound government institutions. We present a framework that is timeless and principled, yet pragmatic and practical.

Build Effective Institutions That Outlast Leaders

Stay Nimble and Adapt to Reality

Form Strategic Partnerships With Stakeholders

Experiment, Co-Create, Design and Learn

Encourage Self-Reliance, Sustainability and Prudence

Execution Trumps Strategy

Create and Sustain Upward Social Mobility
BUILD EFFECTIVE INSTITUTIONS THAT OUTLAST LEADERS

Institutions are the backbone of government. People think mostly of formal institutions – such as ministries, regulatory bodies or courts – but institutions include frameworks, laws, norms and processes. Financial sector regulations, Free Trade Agreements, procurement rules, and even a culture of anti-corruption can be considered institutions. If well-crafted and reinforced over time, they will develop the capacity to endure and serve as supporting pillars of the nation.

Government leaders must build strong and stable institutions that will outlast themselves. The existence of good institutions and processes supports good performance in the long term. However, good performance in the short term is not necessarily an indication of good processes, and may not lead to these, unless conscious efforts are made to document, institutionalize and internalize these good practices.

What makes a good public institution? The answer will vary according to the needs of a country, its political culture and its specific circumstances. However, good public institutions will almost always have the following characteristics:

- Accountable either internally (to impartial and effective government oversight, audit and supervisory agencies), or externally (through public scrutiny, disclosure and freedom of information laws), and by regular reports to Parliament;
- Prudent and judicious in the use of taxpayer and other public monies, including the prevention of revenue leakage and corruption;
• Clear and specific mandate and primary mission, which can evolve over time as national needs change, but is always well defined at any point;

• Appropriate powers to cover the exercise of its duties, whether these be legislative or statutory powers, or executive and administrative powers;

• Strong input mechanisms to identify, gather and develop the resources, information, talent and skills it will need to achieve its mission;

• Strong output mechanisms to effectively deliver and implement the programs, interventions and actions it will need to achieve its mission.

In Indonesia, technocrat leader Sri Mulyani Indrawati reformed processes and reduced abuse in the Finance Ministry, leaving behind a stronger institution that could make better macroeconomic policy decisions in the aftermath of the global financial crisis of 2008-9. Singapore’s Lee Kuan Yew championed and empowered the Corrupt Practices Investigation Bureau, an independent corruption-fighting agency, which established a national culture of anti-corruption that endured long after he stepped down as Prime Minister. Under Raghuram Rajan, the Reserve Bank of India significantly improved its credibility as a capable central bank that conducted monetary policy autonomously of political interference.

“Development is an endurance exercise with incremental improvement.”

– Sri Mulyani Indrawati
In all these instances, principled leaders were able to empower agencies and institutions, streamline and improve their operations, develop a rich talent pool, and establish robust internal and external processes. This enabled the institutions to fulfil their core objectives and mandate, and to grow in strength.

II

FORM STRATEGIC PARTNERSHIPS WITH STAKEHOLDERS

Well-managed governments create various kinds of public value. These include clean parks and green spaces, smooth traffic, law and order, and affordable education. However, the creation of public value need not be the result of direct government policies and programs.

Often, governments may not possess sufficient information or capabilities to affect outcomes directly. This is especially true for social challenges such as helping children from broken families, or reintegrating former prison inmates back into society and the workforce. Blunt tools such as taxation and fines are not ideal for these complex, sensitive situations. Instead, governments can enhance public value by empowering, encouraging and partnering with other groups and communities, such as religious organizations, traditional leaders, NGOs and businesses. This indirect exercise of power is sometimes more effective.

However, partnerships should not be seen as a license for any government to dilute or deny its responsibility for major social challenges. A government may contract, outsource or engage an NGO or private firm to deliver important public services, but it remains ultimately responsible for the quality, cost and accessibility of these services.
For instance, private-public partnerships (PPPs) are gaining popularity in developing economies, because they are a seemingly attractive way to bring in investor capital, private expertise and innovation. Unfortunately, most bureaucracies do not have the specialized legal and investment expertise to negotiate well with large corporations, and to ensure that national interests are protected. They often see a PPP as nothing more than a legal contract setting out terms and responsibilities.

Good governments know that a contract is only a small part of a successful PPP – success hinges on the creation of a broader, supportive environment for a long-term collaboration between public agencies and private partners that will benefit both sides. This may require the reform of outdated laws and regulations, close coordination between government agencies, mutual understanding, and a willingness on both sides to show flexibility, goodwill and pragmatism when the unexpected happens.

Failure to remember this often results in a strong public backlash. Too often, privatizations, PPPs and NGO programs run into difficulties, exceed their budget or simply fail. From the late 2000s, many Singaporeans were unhappy with the excessive overcrowding, breakdowns and delays on the privately operated Mass Rapid Transit subway, and expressed their frustration at the ballot box during the 2011 General Elections. Fortunately, the government responded swiftly, imposing stricter-quality regulations, and finally a new rail financing model after buying over the private operator’s assets in 2016.

“*The private sector should not leave the responsibility of strengthening health systems to government alone.*”

– Brian Brink, Chair of the Private Sector Constituency for Health in the Southern African Development Community (SADC) region
ENCOURAGE SELF-RELIANCE, SUSTAINABILITY AND PRUDENCE

Most people naturally take pride in feeling useful and fulfilled; they want to do meaningful work and to improve their lives and those of their loved ones. Leaders and governments should encourage and reinforce these positive mind-sets, through leading by example, and designing good social policies.

Policies should reinforce the values of self-reliance, sustainability and prudence. For instance, most governments ensure a basic level of unemployment security for those genuinely in need, in particular older, ill, or less skilled workers. However, excessively high unemployment benefits are a reward for being unemployed, because they provide an incentive and encouragement for able-bodied workers to stay unemployed for longer.

The few countries that successfully provide high levels of social support and security, such as Denmark, can do this due to high levels of ethnic homogeneity and social cohesion, public acceptance of high taxes, and unique cultural and societal norms that discourage free-riding and abuse. Most countries cannot achieve this overnight. At each stage, policymakers must consider the incentive effects of each decision they make – what are they encouraging, or discouraging, their people from doing?

Around the world, countries are re designing unemployment insurance schemes so that they do not encourage low-wage workers to give up their jobs, or to remain stuck in a welfare trap. Many countries are also moving away from defined benefit pensions to defined contribution savings schemes, to raise fiscal sustainability and individual responsibility.
Prudence and sustainability in finances are not just individual or household goals; they apply to governments too. Singapore’s first Finance Minister Goh Keng Swee – an erudite but extremely practical man – noted that countries became wealthy in much the same way as individuals did: through hard work, prudence, saving, avoiding ruinous expenditure or debts, and sound investments and financial decisions. Growth and development is not a mysterious, abstract process that only economists can understand. Much of it is common sense.

Governments are funded largely by public monies such as taxes. Taxes are the contributions made by families and businesses to nation-building. Sometimes, this is money they themselves could have used on improving their lives, for instance buying more nutritious food, enrolling in better schools, or investing in productive equipment. Because of this, each tax dollar is precious. Wasteful public expenditure cannot be excused and must be policed through strict procurement rules and approval processes, fiscal spending rules that impose expenditure discipline on a government as the economy grows, or locking up a portion of public revenues or incomes in a Sovereign Wealth Fund to reduce the temptation for pre-election largesse.

Populist pre-election spending may be an effective way to win votes, but in the long term, people will expect regular electoral handouts and vote only for parties that dole out more, establishing a competitive dynamic of unsustainable election spending. Some countries impose strict limits on per capita electoral campaigning expenditure to prevent such outcomes, but if done poorly, such limits can also restrict the growth of new political parties who need to spend more than established incumbents to achieve the same impact.
Scarcity and vulnerability are often seen as constraints, but they can also drive determination and creativity. The unique geographies of the Netherlands and Singapore spurred them on to become world experts in flood and water management respectively. Chile and Japan have some of the strongest, most resilient buildings in the world, due to their high incidence of earthquakes.

Conversely, some countries suffer from the “resource curse” of an abundance of natural resources such as metals, oil or gemstones. Exploiting these resources provides a temporary boost of wealth, but without good institutions, laws and governance to manage this wealth, much of it is appropriated by corrupt officials and businesses. The export flow of highly priced resources can also drive up a country’s currency, making other local exports more expensive on the global market. This makes it very difficult for these countries to develop and diversify their economies, because there is huge wealth without good guidance and systems – like a young child given a huge inheritance.

In time, the party will inevitably end, because these resources took millions of years to accumulate, and are non-renewable. When that day comes, the country will suffer if adequate preparations have not been made.

*Crude oil tanker departing from Lagos, Nigeria. Despite the country being Africa’s largest oil producer, Nigeria’s poverty level hit 60% in 2012.*
CREATE AND SUSTAIN UPWARD SOCIAL MOBILITY

All functioning countries – even the poorest – have tremendous potential for generating wealth as long as the shackles of harsh and senseless laws, corruption and violence are removed. With the exception of failed states, which face existential challenges and may not be able to generate enough revenue for their own maintenance, all governments should aim to break these shackles, and unleash the natural forces of prosperity based on a foundation of healthy, educated, motivated people.

“Social mobility is the defining challenge in every advanced country today.”
– Tharman Shanmugaratnam, Finance Minister of Singapore

Sustainable domestic government revenues can only result from a well-run, prosperous economy. Governments must first lay the foundations for growth, while ensuring that the fruits of growth are not creamed off by powerful interest groups. The rising tide should lift all boats, even if not exactly equally.

Once the economy is strong and growing, and people have jobs and are filled with optimism, investors will be attracted to the country’s potential, and government tax revenues will naturally increase. Land values will also increase, allowing the option of government
land sales or leases to raise revenue. Singapore is particularly prudent in this area – it does not spend any proceeds from state land sales, and instead locks the money in its national reserves to be invested worldwide. The government can then spend a fixed percentage of the investment returns, as specified in the Constitution. Over the decades, Singapore’s reserves have grown to hundreds of billions, despite its relatively small population and size and absence of natural resources. Investing the national reserves alone yields net government revenue of more than US$ 6 billion annually.

Too often, governments rely excessively on foreign aid, resource and asset sales, or illegal payments to bolster their finances. It is entirely legitimate to draw on international assistance, and to sell natural resources, but this should be done in a measured, stable and intelligent way. In the long term, as a country grows more stable and wealthy, it can diversify its economy, reduce its dependency on external transfers – which often come with strings attached – and resource sales, and become more robust and resilient.

Poor leaders often try to enrich themselves without first supporting and improving the lives of their citizens. This is short-sighted. The effects may not be felt immediately, especially if there is resource wealth to be extracted and sold, but it is always at the expense of the people and, in the long run, the country will never prosper.

Many governments lament the lack of resources and financing, when in reality most of the country’s wealth leaks out through corruption, smuggling, mismanagement and wasteful spending. Every functioning country has the resources to clean up its government, pay decent public sector wages and build sound institutions, if only it were not misspent. Investments in good governance will pay off a thousand-fold in decades to come. Good leaders must stop offering excuses and take a firm stand on corruption, leakage and wastage, while offering fair and sustainable pay raises to civil servants as part of a broader program to professionalize the government.
EXECUTION TRUMPS STRATEGY

Public policies are only as good as their implementation. Ideas and strategies are important. But this should never come at the expense of quality implementation and ensuring that the desired outcomes materialize on the ground.

“To me, ideas are worth nothing unless executed. They are just a multiplier. Execution is worth millions.”

– Steve Jobs

The limits of grand plans coupled with poor implementation are plain to see. Most countries have anti-corruption agencies and have introduced anti-corruption strategies. In Nigeria, government officials and politicians are not allowed to have overseas bank accounts. In Pakistan, the Philippines and Indonesia, special anti-corruption courts were formed to hear corruption trials and new procurement processes were laid down. Malaysia introduced its own National Integrity Plan along with a specialized monitoring Index. However, the actual implementation and enforcement of these initiatives were weak and inconsistent. These countries remain racked by large corruption scandals, and bribery remains routine. The challenge is not limited to these countries. Transparency International found that 68% of countries worldwide – including half of the G20 – had a serious corruption problem in 2015.
We see similar situations in a range of areas. Many countries develop medium-term land use plans, robust environmental legislation and impressive-sounding economic development roadmaps. These are rarely implemented or enforced well, but we know they are good ideas because the countries that implement similar policies well benefit hugely from them – efficient land use in Denmark and the Netherlands; environmental health and tourism spinoffs in Costa Rica from the late 1990s; and robust economic growth in South Korea and Singapore from the 1970s to 2000s.

Sometimes, policies and plans are initiated or put in practice, but stumble at the point of service delivery. For instance, the intended program beneficiaries may not be aware of the benefits to them and fail to participate, or the application forms might be in the wrong language, or too onerous and technical. Occasionally, program funds may be misspent or appropriated by corrupt officials. This “last mile” is a critical determinant of a policy’s success or failure. Often, policies and programs are designed by well-meaning bureaucrats who do not understand the challenges of executing and implementing them on the ground. For instance, the Planning Commission in India was suspended by President Modi in 2015 for being too centralized and out of touch, and not consulting or considering local perspectives.

Often, implementation failures arise from an organizational bias towards strategists and planners, who are valued for their elegant proposals and eloquent presentations, whereas more down-to-

“In real life, strategy is actually very straightforward. You pick a general direction and implement like hell.”

– Jack Welch
earth managers with solid program management, execution and implementation skills may be marginalized or not promoted as quickly. Government budgets also tend to be focused on the Ministry headquarters, rather than in the rural administrative offices where most plans are actually put into practice. Leaders who understand the critical importance of good implementation will ensure that those tasked with operating and doing are consulted early in the planning process. They will value both thinkers and doers.

Sound implementation is especially important for newly elected leaders to secure quick “wins”. Closing the gap between pre-election rhetoric and post-election results strengthens the electoral mandate of any leader. In both developing and developed countries, there is a bias towards short-term policymaking because of four- and five-year electoral cycles. Leaders must be seen to be delivering results before the next election, or risk losing their seats. They will hence be wary of long-term, complex programs that will take decades to bear fruit. This is where the power of good implementation matters. If implemented efficiently and well, even long-term plans such as educational and healthcare reforms or public housing programs will bear enough initial fruits in a few years, allowing visionary leaders to reap the electoral benefits of their own foresight.
EXPERIMENT, CO-CREATE, DESIGN AND LEARN

Leadership in the past often required leaders to be seen to be superior to those they led – more courageous, more knowledgeable, more capable. Leaders who appeared weak by not having the answers or admitting mistakes often would not survive. This led to a culture of machismo, of “no turning back” even when circumstances had changed, and the “strong man” image of leadership. Today, good leaders must also be like stewards. They must still have vision and bold ambition, but they are most respected when they are authentic, can relate to their supporters, and seek advice when they are unsure.

In this leadership culture and in a complex world, leaders need not have all the answers off the bat. It is legitimate to say “I don’t know the best answer; but I do know the best way forward is to experiment, test and adapt, in order to learn what the best answer is.” This attitude of humility, honesty and willingness to learn will earn the respect of many.

Jocelyne Bourgon, the former head of Canada’s civil service, believes that governments must “co-produce” public value by working closely with other government agencies, stakeholders, community groups and the broader public. This co-production goes beyond public consultation – it involves a fundamental reframing of the role and mind-sets of governance, and requires public servants to engage in deep collaboration and to design shared solutions.

The best answers do not come from 30,000 feet in the air. They come from looking closely on the ground. Where appropriate, government agencies should use design-driven processes to resolve the challenges faced by people. This approach involves treating problems such as insufficient doctors or poor roads as design challenges, and working with user groups such as patients and automobile drivers to brainstorm and identify possible solutions.
The government – perhaps in partnership with NGOs or private firms – can then prototype and test promising options, and improve them after seeing user feedback. This “design thinking” methodology has been successfully used by countries such as Denmark and the UK. As British governance specialist Geoff Mulgan wisely noted, citizens are often competent interpreters and experts of their own lives. In these situations, they will be the best judges of what they need.

Researchers Abhijit Banerjee, Esther Duflo and Sendhil Mullainathan believe strongly in the value of evidence and evaluation in public policy. Co-founders of the Abdul Latif Jameel Poverty Action Lab (J-PAL) at the Massachusetts Institute of Technology, they pioneered the use of rigorous randomized trials and evaluations in public policy, to determine which interventions have the biggest return on expenditure. Banerjee calls these consistent and cost-efficient solutions “best buys”, and promotes their use in a range of developing countries.

The solutions are sometimes unexpected, but always backed by rigorous data and testing: the provision of textbooks did not
improve average test scores or school attendance in Kenya, whereas
deworming proved to not just improve child health, but also
dramatically reduced school absenteeism rates there. Computer-based
learning significantly improved math test scores in India, but was less
cost-effective than an existing remedial tuition program. In Zambia,
J-PAL research has helped to determine the best ways to increase
chlorine use, promote the use of female contraceptives, and better
motivate community healthcare workers. Public policy can be made
more effective through harnessing the power of experimentation,
trials and evidence, while taking note of the potential ethical and
practical difficulties of testing, and the limitations of various
research methods.

STAY NIMBLE AND ADAPT TO REALITY

Leaders have to design policies for the world we have, not the world
we wish we had. In a perfect world, where all countries had highly
qualified, well-resourced and energetic governments with sound
visions and values, public policy challenges would be quickly and
efficiently resolved through the design and implementation of sound
laws and programs.

But the real world is very different: governments often cannot
attract all the skills and talent they need. Resources and finances
are perpetually inadequate, relative to urgent and important needs.
Often, corruption and wastage are rife, preventing the effective
implementation of well-intentioned programs. Even if policies are
well executed, individuals and firms may not respond or behave
as expected, and often deliberately block or derail changes they
oppose. Many people also often do not act in their own long-term
best interests due to fear, ignorance or greed. This is particularly
problematic for policies encouraging people to save more for
retirement, adopt healthy lifestyles and diets, or practice more
gracious and pro-social behavior such as not littering.
Former UK Cabinet Secretary Gus O’Donnell believes that government leaders can understand people and predict their reactions better by adopting more nuanced models of human psychology and behavior. The UK’s Behavioural Insights Team was a pioneer in designing policy interventions that acknowledge and compensate for people’s cognitive biases and often emotive decision-making. Small changes, such as sending personalized text messages to people’s mobile phones informing them of their unpaid taxes, yielded a huge increase in revenue collection, compared to delivering the same information through a letter in the post. Placing healthy options such as fruit salads in more prominent displays at the school canteen increased their consumption, without any restrictions on students’ choices. More intriguingly, helping UK residents to clean up their attics improved their willingness to install better energy-saving insulation in their houses, since a major barrier was the embarrassment they felt at having contractors enter their messy attics when insulating their roofs. Understanding and harnessing the quirks and foibles of human emotions can vastly improve public policy outcomes.

Above all, the complex, frequently surprising nature of public policy requires nimble, flexible, learning systems and leaders who can anticipate change, and remain relevant. Government leaders can set the tone by insisting that important proposals and changes include an analysis of the possible “what ifs” that could affect impact and success. Over time, this will build capacity in the government to identify blind spots, and think about the future. Structured processes such as scenario planning (used by DARPA and Shell) can also help. Good policies will always make allowances for the imperfections of markets, institutions and governments. The success of any policy should not entirely depend on all parties behaving rationally and logically. Many times, they won’t.
The UK’s Behavioural Insights Team discovered a way to increase the consumption of healthy foods in schools without limiting students’ choices. It was as simple as adjusting the food placement in canteens so as to increase the prominence of healthy foods.

Public Health England created an innovative app that allows parents to monitor their children’s sugar intake. Using the app, parents scan product barcodes to reveal the amount of sugar in cubes and grams.
Compulsory land expropriation is a controversial, unpopular but sometimes necessary precondition for land ownership reform and national development. In countries ranging from India and Brazil to Japan and Malaysia, attempts by the government to acquire private land have met strong resistance, protests and political backlash, even where the state has promised monetary compensation to landowners and tenants.

In contrast, the Singapore government succeeded in acquiring over 40% of the country’s total land area from the 1950s to 2010, while resettling tens of thousands of squatters and tenants from urban slums and shanty huts to newly built government housing. The resettlement officers initially faced strong resistance from squatters, gangs, residents and landowners, but good implementation won over detractors. Compensation was meticulously calculated according to the land area and improvements such as crops, shacks and livestock, and people were paid promptly before the eviction date. Those affected were moved swiftly and efficiently to their new homes within a week. The government took pains to ensure that new housing estates were near to people’s original homes to minimize disruption to students and workers, and to plan for new schools, shop spaces for dislocated tradesmen, parks and amenities.
Singapore’s former Chief Planner recalled that initially, people were distrustful and resisted the efforts of resettlement officers. But a few years later, after they had seen for themselves the efficiency of the process and benefits of the new housing estates, some people began to pester the government, and to ask when their turn to be resettled would come!

Public housing in Singapore known as Housing & Development Board Flats.
A FRESH PERSPECTIVE ON FOREIGN AID

Over the past 50 years, US$ 4.6 trillion has been provided by the Western industrialized world to the world’s less-developed countries. Ironically, the data shows that increased flows of foreign aid are associated with lower economic growth. We offer a framework for using aid wisely.

Ghana is one of the few African countries where aid is seen to work. Extreme poverty has been halved in the last decade, and infant mortality rates are in sharp decline.
AID’S POOR TRACK RECORD

The idea that large donations of financial aid can remedy poverty has dominated the theory of economic development since the 1950s. International aid agencies and governments have continually poured trillions of dollars in aid to developing countries. What have the results been?

While millions of people have moved out of abject poverty around the world over the past six decades, that had little to do with foreign aid. Rather, it was due to economic growth in Asian countries which received little aid. The World Bank has calculated that between 1981 and 2010, the number of people living in poverty fell by about 700 million. China alone accounted for 627 million people who moved out of poverty.

In the meantime, more than a quarter of the countries in sub-Saharan Africa are poorer today than in 1960. Between 1970 and 1998, when aid flows to Africa were at their peak, the poverty rate in Africa rose from 11% to 66%. More than US$ 1 trillion in development-related aid has flooded the African continent over the past 60 years with very little fruit to show for it.

IT’S TIME FOR DEVELOPING NATIONS TO SEE THE LIGHT

History shows us that trade and commerce – not aid and charity – create and sustain national prosperity. Studies have shown that the most aid-dependent countries have an average annual growth rate of negative 0.2%. More recently in 2014, the World Bank Development Research Group published a policy research working paper titled “The Effect of Aid on Growth,” which acknowledged that a basic consensus is still lacking on whether aid had contributed to growth.
Prominent African voices have recognized this truth and started speaking out against the perils of aid dependency:

“I’ve never seen a country develop itself through aid or credit. Countries that have developed – in Europe, America, Japan, Asian countries like Taiwan, Korea and Singapore – have all believed in free markets. There is no mystery there. Africa took the wrong road after independence.”
- Former President of Senegal, Abdoulaye Wade, New York Times, April 10, 2002

“Now, the question comes for our donors and partners: having spent so much money, what difference did it make? In the last 50 years, you’ve spent US$ 400 billion in aid to Africa. But what is there to show for it? Obviously somebody’s not getting something right. Otherwise, you’d have something to show for your money.”
- President of Rwanda, Paul Kagame, Interview with Time Magazine in 2007


Foreign Aid Received Per Capita 2000-2005

Source: Data from OECD Factbook 2011-2012 Doi: 10.1787/factbook-2011-2012en
AID CAN MAKE A DIFFERENCE IF USED WISELY

While governments should focus on trade and commerce as the primary means of building its economy, foreign aid can make a significant difference if used wisely.

Once again, history contains valuable lessons on the conditions required for aid to work. Between 1948 and 1952, Western Europe received US$ 13 billion of aid (around US$ 120 billion in today’s terms) from the USA under the Marshall Plan. The funds were used to assist Western Europe’s reconstruction after World War II. The Marshall Plan was a remarkable success – it significantly contributed to rebuilding Europe’s economy and re-establishing the political and social institutions needed for lasting peace and stability.

What were the conditions that enabled aid to achieve its purpose? First, Marshall Plan aid was largely specified to be used for rebuilding physical infrastructure destroyed during the war. Second, there was a clear end point in sight – Europe knew that aid would cease at the end of five years and never grew dependent on aid. Third, Marshall aid never exceeded 3% of the recipient countries’ GDPs. Fourth, recipient countries had the necessary institutions in place to administer the aid.

Bill Easterly, a New York University professor and former World Bank economist, notes that had Zambia converted all the aid it received since 1960 into investment, and all that investment into growth, it would have had a GDP per capita of about US$ 20,000 by the early 1990s. Today, Zambia’s GDP per capita stands at US$ 1,300. In effect, Zambia’s GDP could have been at least 15 times what it is today had it used aid correctly.

Zambia’s GDP per capita today is US$ 1,300

Zambia’s potential GDP per capita could have exceeded US$ 20,000

15x
FRAMEWORK FOR USING AID WISELY

How can governments make good decisions about what aid to accept, how to use aid wisely, and how much aid to accept? We offer five principles.

Set The Boundaries

Leaders must identify the country’s “red lines”, or essential long-term national interests. Most offers of aid from countries, NGOs, IGOs or companies come with “conditionalities”, or strings attached. Governments should not accept aid offers with conditionalities that violate any red lines.

An example of a red line may be the need to retain control over a key maritime passageway, or the need to retain control over major natural resource deposits. Other times, a red line may be more subtle or nuanced, such as the need to ensure a gradual economic transition from socialism to a free market economy. The government is not denying that a free market is best in the long term, but it needs sufficient time to privatize state enterprises, train the workers, and gradually open up its markets. In this case, the “red line” may be violated if an IGO offers aid on the condition that the country remove all import and export tariffs immediately.

This principle may seem like common sense. But it is often ignored because developing economies do not always have the resources and analytical ability to accurately identify their “red lines”, and do not even know when they are being violated.

Apply Aid Towards Infrastructure

Governments can rely on aid to fund long-term capital expenditure on essential infrastructure. Bridges, roads, airports, reservoirs and ports last for decades. Because many future generations of people will benefit from this infrastructure, it is fair that future generations help to pay for it (as long as the cost of debt is relatively affordable). Governments can issue infrastructure bonds to help pay for essential infrastructure, or accept foreign aid to build infrastructure.
That said, governments must be certain that they have the means to maintain this infrastructure over its useful life period. There is no point accepting aid to build a state-of-the-art modern airport if the cost of maintenance is going to cripple the government. It would be better to scale down the ambition of the planned airport to something more realistic and affordable to maintain. Governments can always reserve the surrounding land for future expansion.

**Be Mindful Of The Risks**

It is acceptable for governments to accept foreign aid for essential expenditure in the short term, as long as a country is disciplined and sets a timeline to wean itself off foreign aid and repay its debts in the medium term.

On the other hand, governments should be very wary about using aid to fund long-term operating expenditure such as healthcare or education programs. All well-managed and non-corrupt countries will be able to generate the funds for essential expenditure like education and healthcare. It is volatile and dangerous to depend on long-term foreign funding for essential programs. The country will be held ransom to donor countries or organizations, or be subject to program collapse if donors are unable or unwilling to continue funding.

**Ensure Institutional Structures Are In Place**

Governments should have a central government agency in charge of receiving, aggregating, and distributing foreign aid and loans. Strict financial controls and regular audits should be instituted to reduce “diversion risk” the risk of funds being used for purposes other than what they were originally intended for.

In some countries, multiple government agencies negotiate loans and receive aid from various sources, and there is no central agency monitoring total debt levels or looking for wasteful duplication. Having a single agency in charge of foreign aid also streamlines aid administration, audit, due diligence and donor reporting/accountability.
A single agency with oversight of all donor monies is also in a position to see where funds can be amalgamated (e.g. two different donors with similar objectives can be asked for approval to pool their funds to increase economies of scale in programs).

**Avoid Excessive Debt**

The total repayable aid or debt a government incurs should not be excessively large as a proportion of the country’s GDP. A country’s GDP represents its ability to repay loans and debt. If the latter grow too large, a country will never be able to repay its debt, and will spend precious GDP in the long term paying interest to creditors.

In the African nations of Burkina Faso, Rwanda, Somalia, Mali, Chad, Mauritania and Sierra Leone from 1970 to 2002, more than 70% of total government spending came from foreign aid, according to figures from the World Bank.

If a country’s debt level is too high, capital markets and investors may worry that it may not be able to pay off its debts. Hence they may demand higher interest for future bonds or loans. High debt levels may also weaken a country’s exchange rate, since markets may speculate that a government may print more money to repay its debts, leading to inflation.
View of the National Debt Clock in Midtown Manhattan. The clock shows gross national debt and each family’s share of that debt.
NAVIGATING THE STATE-MARKET BALANCE

Economic historians tell us that swings in dominance between state and market go back many centuries. Over the past 200 years these swings seem to have gathered in speed. The global financial crisis of 2008 to 2009 has revived the debate on capitalism and the state.

A group calling themselves the Tax Dodgers pose as a baseball team during the Occupy Wall Street march in Manhattan, New York, 2012.
STATE AND PRIVATE ACTORS DIFFER FUNDAMENTALLY

Various leaders, thinkers and citizens have sought to define the appropriate role of the state, and of private businesses and market forces, both within their country and the broader global economy. At no other point in history has this struggle been so intense, or cost so many lives, than in the 20th century.

Why do the roles of the state and the private sector – and the relationships between them – even matter? In fact, few things are more important for national development and prosperity.

Governments and private firms are organizationally and philosophically different in important ways. Private firms are primarily profit-oriented, compete for consumer demand in an open market, and – with some exceptions – do not explicitly have social, moral or political objectives. In contrast, governments are largely elected, seek financial sustainability rather than profit maximization, and have broader social functions such as the redistribution of income. Because of this, the state-market balance can affect:

- The ownership and distribution of land, capital, skills, and other productive assets;
- The nature and composition of economic activity;
- The relative distribution of the fruits of economic growth; and
- The level of trust, investment and innovation in a country.

We might then ask, “Which is best? Will state control or free markets result in the best outcomes for a country?” In particular, governments may struggle to decide whether all state-owned enterprises should be privatized, or whether to dismantle their tariff and trade barriers and open their economies to trade.
A BALANCE OF STRENGTHS AND LIMITATIONS

Both markets and governments possess distinct competencies and advantages, but both can fail catastrophically.

Unfettered markets are a brilliant testimony to the power of price signals, human ingenuity and self-interest to produce a dazzling array of products and services that improve our lives – from the humble pencil on our desks to the Airbus A380 airplane that can take us from one continent to another in hours. In his famous 1958 parable, Leonard Read asserted that not a single individual on Earth knew how to make a pencil, because of the myriad industrial and chemical processes that went into manufacturing each part – the wooden slats, graphite rod, brass ferrule, paints and dyes, and so on. And yet, in the absence of any central coordination, millions of pencils were produced and distributed at low prices.

Conversely, governments routinely produce goods and services that are fundamental to national survival and prosperity, but which markets cannot, or do worse at. These include defending against hostile neighboring states or terrorist attacks; ensuring domestic law and order; enforcing property rights; and regulating activities that generate harmful external effects, such as smoking and reckless driving.

Despite their strengths, neither governments nor private firms are infallible. On one hand, government programs and policies often fail due to cumbersome bureaucracy, poor budgeting, planning errors, corruption and vested interests, or inappropriate implementation. On the other hand, markets are prone to crowd biases such as herding and irrational exuberance, leading to speculative purchases and asset bubbles that can violently deflate, as the USA and much of Western Europe experienced from 2008-2009. Frequently, markets can also be exploited by players with informational advantages, or who collude to deceive others.
**A PRAGMATIC, ECLECTIC APPROACH IS VITAL**

The concept of an absolute “free market” is a myth, like a unicorn – everybody has heard of unicorns, and knows what they look like, but in reality they don’t exist. Similarly, governments do not deal with abstract entities called “free markets” – they work with companies, organizations and households, and the ecosystems they are all embedded in. Therefore, the sensible question to ask is: “How can the government and private firms work together to maximize their strengths and compensate for their limitations?”

We can start by reframing the common understanding of government ownership and private ownership as absolute, polar opposites that are fundamentally incompatible. In reality, ownership can be shared along a spectrum, and both the government and private firms can play different roles to ensure the success of a project, and benefit from it.

Different models and combinations of ownership may suit different countries at various stages: for instance, a developing country with low administrative capacity may choose to outsource activities such as customs revenue or toll collection to private firms. As the country develops and gains expertise, it may choose to handle some of these functions itself. In the 1960s, Singapore established multiple state enterprises to kick-start economic development and diversification, then divested and privatized many of these in the 1980s and 1990s.

However, the road to privatization was not a one-way street. The Singapore government later took back control of public transport route assignment and subway train capacity planning from private transport operators, following several high-profile system failures and mistakes. Meanwhile, natural monopolies like Singapore Power (which operates the national power grid) and strategic companies like PSA (which manages the main commercial port) were never privatized. Both state and private companies can be efficient and profitable, if well-managed. The ownership of a firm is significant but secondary, as long as its performance is good and benefits the nation.
SUPPORTING LONG-TERM PARTNERSHIPS BETWEEN GOVERNMENTS AND BUSINESS

Honor agreements to build trust
Governments should uphold and abide by all legal contracts signed with private firms, even if they turn out to be to the state’s disadvantage. If the disadvantage is too great and the contract term is too long, or if unforeseen emergencies arise, governments can negotiate with the relevant companies and compensate them for terminating the contract early. Insisting on mutually acceptable solutions will build credibility and trust in the government over time. This will attract more capable private firms to bid for government tenders and projects in the future.

Easy entry, easy exit
Most “ease of doing business” indices focus on the ease of entry by foreign companies. However, it is also important to ensure that firms can easily liquidate their investments and relocate their assets and capital when they need to. Some governments are fearful of massive layoffs, and impose punitive legal or tax barriers when investors want to leave. This may have the desired short-term benefits, such as postponing the inevitable retrenchments, but in the longer term, credible and discerning companies will shy away from investing. Instead, governments or unions could negotiate with the foreign company to retrench workers in phases, help them secure alternative employment, or provide better severance packages.

Design balancing mechanisms
When a strategic company needs to be government-owned, commercial discipline can be improved through appointing private sector members to its board, corporatizing its processes and introducing balance sheet discipline, removing government support such as soft loans, and not giving the company guaranteed government contracts without the need to tender. In the longer term, the government could establish a state investment entity operating on commercial principles to own the company, so that the government can focus on regulating it at arm’s length.
Conversely, when a strategically important company must be privatized, governments can deter mismanagement, profiteering or short-term thinking through strong anti-corruption laws, effective regulation and inspections, contracts that require the company to meet quality standards and impose credible penalties for failure to do so, and fee or margin agreements that balance the needs of the company’s shareholders, consumers and the state.

Open For Business

In general, the worldwide lowering of trade tariffs and barriers has been largely beneficial. It has increased consumer choices, lowered prices and allowed private firms to access larger global markets. Conversely, excessively high tariffs will distort prices, drive wedges between efficient and mutually beneficial trades, and reduce overall societal welfare.

However, as with the debate over state and private ownership, this can be an artificial trade-off. No country has absolutely free trade, and no country – not even the “hermit kingdom” of North Korea – is totally sealed off from the outside world. Some advanced economies have low import duties, but use mechanisms such as anti-dumping rules and non-tariff barriers like health and safety standards to restrict the inflow of cheaper imports. Governments must not be swayed by polar absolutes and ideological concepts, and instead find the right balance of openness and trade restrictions that best serves the needs of the nation at that point in time.

When Can Temporary Trade Restrictions Be Justified?

In the long term, countries should aim to move towards freer trade, given its many benefits. However, some sectoral restrictions and mitigating policies can be temporarily used for specific reasons.

Retention of strategic capabilities

Occasionally, temporary trade and competitive restrictions may be necessary to safeguard strategic domestic sectors. For instance, it would be excessively vulnerable for a country not to have any large domestic banks, and for its banking system to rely entirely on
foreign banks that could decide to relocate during a crisis. In such cases, temporary entry barriers and competition restrictions may be necessary to give the local banking sector time to consolidate, and help it to compete with global banks.

In a similar vein, globalization and the process of moving up the value chain from manufacturing to services since the 1950s reduced the USA’s industrial and engineering capabilities. Major manufacturers either closed or shifted their production to less expensive countries. This resulted in more choice and cheaper goods for American consumers. However, it also increased the USA’s trade deficit with the world, and weakened its capability to reinvent and rejuvenate its manufacturing sector and to create new and more diverse types of industrial jobs. Germany has fortunately avoided this outcome through rejuvenating its manufacturing sector and industrial cities (Industrie 4.0), and sustaining a strong core of small and medium enterprises in advanced technical and manufacturing sectors (the Mittelstand).

German Chancellor Angela Merkel joins a tour of innovations in industrial robotics used in the automotive industry, April 7, 2014.
CULTIVATING A NEW INDUSTRIAL CORE

Classical trade theories posit that each country has certain natural endowments, such as cheap and abundant land, good weather, a large workforce or precious resources that give it a relative advantage in the production of certain goods and services. Countries should then focus on producing what they are good at, then trading with other countries for different goods and services.

This may be useful advice in the short term, but it is not suitable as a long-term economic development strategy. There is no sense in saying that a country with a comparative advantage in growing bananas should just grow bananas for all eternity. Bananas command low export and market prices, generate mainly unskilled jobs, and the country will suffer from underdevelopment, poor terms of trade and a weak currency if all it does is sell bananas.

Instead, comparative advantages can, and should, evolve over time. Countries can create new capabilities in different sectors in the medium and long term through good industrial policies. Examples of successful economic diversification are India’s automobile and information technology sectors, Singapore’s banking, oil refining and biotechnology sectors, and Saudi Arabia’s aquaculture and shrimp farming sector. Governments can chart a vision of where they want their economy to be in 40 years.

Sometimes, achieving this vision requires temporary periods of higher tariffs and protection to enable companies to grow. Various large companies that became highly competitive on the global market grew under the umbrella of trade protection and tariffs, including Ford, Tata, Samsung, Haier and WorldPay. These companies needed an initial period of protection to grow, then gained economies of scale and generated significant revenue and employment. Governments must be disciplined and ensure that such protection is temporary.
THE RISE AND FALL OF NATIONS: GOOD GOVERNANCE IN PRACTICE

As we look to the past, we see important guideposts to what successful governance involves, and what it looks like in practice.

The flags of nations flying high.
PERICLES AND LINCOLN:
VOICES OF GOOD GOVERNANCE

At the end of the first year of the Peloponnesian War, Pericles rose to consecrate the war dead at a public funeral. His intent was at once simple and sweeping: to eulogize the dead, certainly, but also to reach beyond and rouse the citizenry by glorifying Athenian accomplishment and potential. He praised the law – “If we look to the laws, they afford equal justice to all in their private differences” – and he praised Athens – “We throw open our city to the world, and never by alien acts exclude foreigners from any opportunity of learning or observing, although the eyes of an enemy may occasionally profit by our liberality.” Today, it is seen as an early sanctification of the value of democracy – Pericles, a revered leader in one of the world’s most shaping political eras, was extolling the virtue of good governance.

Nearly two millennia later, another man delivered a speech in his country’s hour of crisis. It was another conflict, devastating in its own right, also born out of a regional fear. Abraham Lincoln had traveled north from Washington, D.C. and arrived in Gettysburg in the midst of the American Civil War to consecrate the war dead in a dedication of the Soldiers’ National Cemetery. He spoke long enough to document and short enough to avoid photography, but his oration, too, are immortal words from a leader speaking to his own country at a pivotal moment in history.

At Gettysburg, Lincoln began the same way that Pericles did in Athens, by acknowledging the esteemed forefathers of the system he so admired. “Four score and seven years ago, our fathers brought forth upon this continent a new nation…” As Pericles had done nearly two thousand years earlier, Lincoln then praised democracy: “conceived in liberty and dedicated to the proposition that all men are created equal.” Both conclude brilliantly, especially Lincoln, who uttered these undying words: “and that government of the people, by the people, for the people, shall not perish from the earth.”
THE TIMELESSNESS OF GOOD GOVERNANCE

Separating these two brilliant leaders were centuries during which the world had seen the rise and fall of Greece and Rome, the injection of Christianity into political discourse and governance, and the passage to modernity through the Renaissance, the Reformation, and the Scientific Revolution. Thousands of leaders had come and gone, codes had been written and treaties signed, states had risen and fallen, alliances had formed only to crumble into enmity, forms of governance had been concocted and conquered, theories had been verified and thinkers vilified, wars won and lost, and yet the passage of time seemed to cement one singular certainty: as the cycles of history continue to repeat, good governance remains steadfast in its timelessness.

In the thousands of miles and years that separate Greece from Gettysburg and Athenian democracy from American democracy, governance has taken many forms and has led different states to occupy every point along the wide expanse between success and failure, between prosperity and ruin. There are many ways to frame a meaningful discussion on what constitutes good governance, but the most comprehensive is to glean lessons from history that allow contemporary leaders and decision-makers to learn and emulate. Seneca, the Roman Stoic philosopher, defined this interplay of time more precisely: “Life is divided into three periods, past, present, and future. Of these, the present is short, the future is doubtful, the past is certain.” As we look to the past, we see important guideposts to what successful governance involves, and what it looks like in practice.
IDEAS OF GOVERNANCE IN RENAISSANCE ITALY

The Renaissance was a cultural movement that left no aspect of humanity untouched. It was an age of intellectual inquiry, an exploration of emotion and feeling, and a period where ideas were challenged and crafted. It is a good place to begin when looking for the ideas and men who came to inspire leaders and governments.

Baldassare Castiglioni’s bestselling work, *The Book of the Courtier*, was published in 1528 and translated into all the major European languages. In it, the soldier and diplomat Castiglioni attempted to demonstrate how courtiers could play their part in creating an environment in which philosophical wisdom permeated the courts of Italy’s princely states.
Castiglione believed in the worth of refined manners and personal dignity while maintaining that these could be gained through education and practice, rather than being confined to the hereditary caste of aristocratic birth alone. Surrounded by such positive influences, the ruler could become naturally attuned to wise counsel and good government. Thus nobility was now about wisdom through education, rational attitudes, and a firm appreciation of ethics, rather than the old medieval chivalric ideal, which was ultimately predicated upon bravery on the battlefield or tilt yard.

Popular perception deems Castiglioni’s *The Courtier* to be almost wholly at odds with the most famous work of his Florentine contemporary, Niccolò Machiavelli, whose *The Prince* contains advice for rulers that is both devoid of philosophical idealism and rich in self-serving pragmatism. *The Prince* certainly dispenses with much of the dispassionate philosophy found in political works that came before. But it is no less concerned with how government can be made successful. Despite the cynicism of its tone, *The Prince* is far from being a simple justification of tyranny and realpolitik; instead, it is an important Renaissance literature on what the style and limits of power should be.

Both Machiavelli and Castiglioni sought to delineate the qualities necessary for leadership. The tendency of power to corrupt could be overcome if appropriately educated and ethically minded rulers could be fostered. Consequently, far less attention was given to the possibility that such perfection was unobtainable and that the only safeguard against self-serving or unjust government was to create checks and balances to limit that power.

The Renaissance was present in literature and music, politics and religion, governance and leadership: each field had sculptors who shaped what was to be, by challenging and remoulding what had gone before. “Whatever is, is in some sense the seed of what is to emerge from it,” Marcus Aurelius once said, and the Renaissance surely supports it. Science, too, was viewed artistically, and when these two worlds fused, the modern era was born.
THE INSPIRATION BEHIND FLORENCE

If there was an identifiable moment where modernity began, it was most likely sometime in 1543, when Nicolaus Copernicus published *De revolutionibus orbium coelestium* (On the Revolutions of the Celestial Spheres) and introduced his heliocentric model to the scientific world that previously believed the opposite of what he argued was true. The science itself is significant – the earth orbiting the sun – but it symbolized something greater: the freedom to question previously held truths. In that way, Copernicus has Florence to thank for his enduring contribution to history.

Florence had her forefathers, too, as governance has roots that reach deeply into the past. Hammurabi’s Code of Laws are mankind’s oldest known set of laws, and established for the first time in recorded history the concepts of moral justice, property rights, and legal procedures. Cyrus, who ruled one of history’s most successful empires, oversaw a centralized administration which was based on principles distilled from Hammurabi’s code. Cyrus’s guiding principles were written on a clay cylinder known as The Cyrus Cylinder, which, like Hammurabi’s Code of Laws, still exists today.

These are two of the earliest examples of moral governance and moral leadership. The names and places which follow their path are giants of history, and who inspired Machiavelli and Castiglioni: Classical Greece stands as a lighthouse of inspiration in the history of humankind, and leaders such as Pericles and Solon changed the very meaning of governance through their promotion of just laws and democratic elections in Athens; Justinian, the Byzantine emperor, is still remembered for providing the foundation for criminal and civil law that remains today; In China, Confucius believed that the highest goal of man was to cultivate virtue and ethics, and Confucian values still permeate China today.

It was John Locke’s *Two Treatises of Government* in 1689 which argued that individuals enjoyed certain inalienable rights – among them freedom of action and the right to own property – that were not given by rulers and therefore could not be taken away by them.

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except through popular consent. This was the basis for a view that government should be limited in power and was legitimate in so far as it sought to serve the interests of the people. If it did not, then it could be lawfully overthrown.

Alexis De Tocqueville’s *Democracy in America* provided remarkable first-hand insights into a society that was developing without an ingrained hereditary aristocracy. De Tocqueville’s admiration for the breadth of its popular participation and decision-making at different levels in this new society was balanced by his assumption that the broad-based, popular democracy was far removed from classical or Renaissance notions of how good governance might be secured.

*John Locke, who wrote the “Two Treatises of Government”, was an English philosopher and physician. He is widely regarded as one of the most influential of Enlightenment thinkers and commonly known as the “Father of Liberalism.”*
GOOD GOVERNANCE MUST SUPPORT LEADERSHIP

There is a common intersection at which all success stories in history operate: the crossroads of idealism and realism. In other words, there is a fundamental difference between the question, “What is it that we want to accomplish?” and its more sober partner, “What is it that we can accomplish?”

These are not limiting questions by any means; quite the opposite, they are empowering. The savviest of leaders know precisely how and when to expend political capital, and quite often have an uncanny grasp of the plausible range of outcomes. This is the pinnacle of good governance: having a structure that allows for creativity and maximum opportunity, while having leaders who know how to operate it for maximum benefit.

Innovation, ideas, and theory, which combine in idealism, are essential parts of crafting effective structures of governance. A good system of governance should encourage them.
Creative Societies are Prosperous Societies

We believe that every person was born to be creative and express their gifts and talents in service to others. As a society our great challenge is to provide each person with the freedom to create and participate as the builders and caretakers of peace and prosperity for tomorrow’s world.

Good Governance Enables Creativity, Entrepreneurship and Social Mobility

Countries, like companies, prosper through good governance. Good governance rests on principled leadership and responsible stewardship. It comprises both policy and moral dimensions. Good policy fosters economic growth through appropriate regulation and incentives that encourage the flow of goods and services within free, efficient and transparent markets.

An enabling environment where entrepreneurship can flourish includes the rule of law, property rights, access to capital and utilities, and fair taxation.
Freedom with Responsibility

We believe in individual responsibility for advancement through enterprise, initiative and hard work. We believe in the sanctity of free choice with responsibility. This includes choice as to culture, language, religion and association.

Governments should seek to achieve that degree of regulation which maximizes creative freedom, risk taking, entrepreneurship and innovation while balancing the need for public safety and economic stability.

Merit and Equal Opportunity

We believe in all systems of merit over systems based on birth, gender, faith or privilege. Merit-based systems correctly reward individual effort. Societies’ resources, including their human and financial capital, should be managed by the most able and not by the privileged or best connected. All people should have an equal opportunity to learn, grow and contribute to society. Human creativity is liberated through equal opportunity, not enforced equality.

Free Markets and Competition

We believe free markets best allocate society’s resources in a productive and efficient manner. Eminent economists such as Ludwig von Mises (1881-1973), Friedrich von Hayek (1899-1992), and Milton Friedman (1912-2006) have all advocated the benefits of competition. History has repeatedly shown that capital and entrepreneurship, operating within the context of a free market, is the most successful accelerator of prosperity.
The Roots of Strong Nations

Moral and spiritual values form the roots of strong nations and establish the norms and boundaries of behavior. Values must be modelled and defended by leaders who should expect elements of society to demand more freedom and less responsibility – especially as the nation becomes more prosperous.

Justice and Trust

One of the responsibilities of government is to provide fair and just laws that regulate individual and institutional behavior, ensuring impartiality and certainty of action. It is not enough that justice is done, it must be seen to be done. Governments that nurture and protect creative freedom and property rights build high-trust societies that attract human capital and financial investment. They foster an environment where diversity, innovation and entrepreneurial creativity build economic vitality.

Unity, Community and Co-dependence

Peace and prosperity has seldom been a natural state of the world in the history of human affairs. Conflict and poverty occur more naturally. The path to harmonious society is therefore intertwined with a struggle for the nobler ideals and aspirations of man over the self-interests of individuals, tribes and elites.

“Ubuntu” is an age-old African term for humaneness – for caring, sharing, and being in harmony with each other. Ubuntu is the essence of being human, it speaks
to our interconnectedness. No one can be human in isolation. As our neighbor prospers, so do we. As he or she suffers, so do we. In a global family we are our brother’s keeper. As a family, our human race is in the adventure of life together. Ubuntu is the recognition that “I need you to be all of who you are in order for me to be all that I am.”

Compassion, No Person Left Behind

Fair taxation and efficient government should lead to resources being available to create a safety net for disadvantaged and disabled members of society.

Heritage, Culture and Traditions

Culture enriches our world and our lives by opening our eyes to difference and diversity.

Culture is a prism through which we discover the value and wisdom of our history and traditions. It reinforces our sense of identity and belonging. Moreover, culture helps us understand and celebrate our neighbors across borders defined by region, race and religion.

Tolerance and Respect

As the world moves towards one village of many cultures and traditions tolerance and respect become ever more important. The Golden Rule is to “treat others as you would like to be treated.”