

## The Worldwide Governance Indicators, 2015 Update:

### Note on Large Changes in Governance Estimates Between 2013 and 2014 for Some Countries and Territories

*September 25, 2015*

The Worldwide Governance Indicators (WGI) are composite indicators that aggregate together information from over 30 individual existing data sources to construct six indicators of broad dimensions of governance: Voice and Accountability, Political Stability and Absence of Violence/Terrorism, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption. As composite indicators, the aggregate WGI measures reflect the perceptions of and experiences with governance of thousands of survey respondents and experts who contribute to the data sources underlying the WGI, as captured by the differing methodologies of all of these data sources. For a full description of the WGI methodology and the underlying data sources, see [www.govindicators.org](http://www.govindicators.org).

Although the aggregation methodology used by the WGI to combine the individual data sources into aggregate indicators has not changed, in the 2015 update of the WGI there have been changes in the methodology and/or availability of three of the underlying data sources on which the WGI are based. These changes in the underlying sources have contributed to large changes in governance estimates for a few countries and territories between 2013 and 2014. This note provides details on these cases to help users of the WGI understand the effect of the methodology and/or availability changes in these three underlying data sources on the overall observed changes in the aggregate indicators.

These three data sources used in the WGI have seen significant changes in methodology and/or availability between 2013 and 2014:

- **CCR:** Freedom House has discontinued its Countries at the Crossroads report. We use data from the latest-available 2012 report (which referred to calendar year 2011), in the WGI data for 2011, 2012, and 2013, following our practice of carrying forward data from past years for up to three years if no new data are available. Starting in 2014, we no longer use this source, although it continues to be a source for the WGI in for 2003-2013.
- **HUM:** In this data source, we previously combined information from the Cingranelli-Richards (CIRI) dataset which provided numerical coding of the US State Department's Human Rights Report, with information from the Political Terror Scale (PTS), which coded the Human Rights Report as well as Amnesty International Human Rights Reports. Due to its greater granularity, the CIRI data was used in Voice and Accountability, Political Stability and Absence of Violence/Terrorism, and Rule of Law, while the PTS data was used only for Political Stability and Absence of Violence/Terrorism. The CIRI dataset was last updated for 2011, and we used this data for 2011, 2012, and 2013. The CIRI dataset is no longer being produced, and so beginning in 2014 we use only the PTS data for Political Stability and Absence of Violence/Terrorism. We

continue to use the available CIRI data in the WGI for 1996-2013, but from 2014 onwards we no longer include data from this source in Voice and Accountability and Rule of Law.

- **WMO:** There has been a significant change in the methodology for the IHS Global Insight Country Risk Rating. IHS Global Insight has changed the individual dimensions of country risk being scored, and also the scoring methodology and rating scale. In past rounds of the WGI we used data from this source in all six aggregate indicators. The new methodology for this source no longer provides us with variables we can include in Voice and Accountability, and the number and definitions of variables we use for the other five indicators has changed relative to last year. Details are provided in the WMO.xlsx file available on the WGI website at [www.govindicators.org](http://www.govindicators.org).

For a few countries and indicators, these changes have contributed to larger-than-usual changes in the aggregate governance indicators between 2013 and 2014, particularly for the Voice and Accountability, Political Stability and Absence of Violence/Terrorism, and Rule of Law indicators where the CIRI data is no longer available. We illustrate the contribution of these changes in methodology and/or availability of these three data sources to the changes in the aggregate indicators, by focusing on changes in the aggregate indicators between 2013 and 2014 that are large relative to margins of error. Table 1 below lists all 27 cases where the change in one of the aggregate governance indicators is statistically significant at the 25 percent level.<sup>1</sup> We note that this is a low standard of significance: for most purposes in the WGI website we report 90 percent confidence intervals corresponding to the 10 percent significance level. We choose this lower significance standard here in order to include a larger number of cases of large changes in the aggregate indicators, where changes in source availability may play a role. We note however that of these 27 cases, only four are statistically significant at the 10% level (as indicated with “\*”). As a result, the usual caveat of not over-interpreting changes in the observed aggregate indicators that are not significant definitely applies to nearly all of the cases listed in Table 1 (see the [methodology](#) page of the WGI website for more details), irrespective of any changes in the methodology and/or availability of the underlying data sources. Naturally, the same is true for the vast majority of all country-indicator year-over-year changes which are small relative to margins of error.

The first three columns report the scores on the aggregate governance indicators for 2013 and 2014, and the change from 2013-2014. These changes are all quite large, both in absolute terms and also relative to the standard errors associated with the governance estimate: the average absolute change is 0.74, or roughly three-quarters of one cross-sectional standard deviation of the WGI scores, and the country cases listed in the table are significant at the 25 percent level.

The next three columns summarize the direction of changes in the individual indicators underlying the aggregate indicators in 2013 and 2014. These columns report the number of individual indicators that move in the same direction as the aggregate indicator (column labelled “Agree”); the

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<sup>1</sup> Significance is assessed using the rule of thumb described in [Kaufmann, Kraay and Mastruzzi \(2010\)](#). Specifically, a change is considered significant at the X percent level if the corresponding 100-X percent confidence intervals for the two periods do not overlap.

number that do not change (column labelled “No Change”); and the number that move in the opposite direction as the aggregate indicator (column labelled “Disagree”). In most cases, the majority of the individual indicators either move in the same direction as the aggregate indicator or do not change.

The next three columns summarize the contribution of changes in the set of available data sources to the changes in the aggregate indicators. The first of these reports the change in the number of individual data sources between 2013 and 2014. For Voice and Accountability and for Rule of Law, in most of these cases of large changes in the aggregate indicators, we also see a decline in the number of data sources available. These declines primarily reflect the loss of HUM as a source, which in 2013 covered 180 countries, while CCR covered only 69 countries. In the column labelled “Balanced Change”, we report what the change in the aggregate indicator would have been had we relied only on data sources available in both years. While these changes are on average slightly smaller (in absolute value) at 0.66, they generally still are quite large and similar in magnitude to the changes based on all data sources. Moreover, as shown in the third column, in 70 percent of cases (19 out of 27), the change in the aggregate indicator based on a balanced set of sources is also significant at the 25 percent level. This indicates that reduction in the number of data sources between 2013 and 2014 only partially accounts for the large changes listed in Table 1.

The last two columns consider a counterfactual set of estimates for 2014. To construct these, we use the 2013 data for CCR, HUM and WMO, and the 2014 data for all other sources, and recompute the six aggregate indicators for 2014. We then calculate the change in the aggregate indicators between 2013 and this alternative version of the 2014 data. Comparing these changes with the actual set of changes between 2013 and 2014 provides an overall indication of how much changes in the methodology and/or availability of these sources matter for the 2014 estimates, for these cases of large changes in the aggregate indicators. These counterfactual changes are quite different from the actual changes observed in the aggregate indicators, and in all but three cases, the counterfactual changes are not statistically significant at the 25 percent level.

Overall, this suggests that the combination of changes in methodology and availability of these three data sources accounts for most of the large changes listed in Table 1, and these changes should be interpreted with some caution over and above the usual caveat that -- in nearly all cases -- they are not statistically significant at conventional levels.

*For questions about the 2015 WGI Update, please contact Aart Kraay ([akraay@worldbank.org](mailto:akraay@worldbank.org)).*

**Table 1: Large Changes in Aggregate Governance Indicators, 2013-2014**

	Governance Estimate			Direction of Change in Individual Indicators			Change in Number of Balanced Sources		Balanced Change	2014 Score Using 2013 Data from CCR, HUM, WMO	
	2013	2014	Change	Agree	None	Disagree	Sources	Change	Significant?	Estimate	Change Significant?
<b>Voice and Accountability</b>											
FIJI*	-0.81	-0.09	0.72	3	2	0	-2	0.65	1	-0.20	1
GUINEA-BISSAU	-1.41	-1.04	0.37	5	0	0	-2	0.40	1	-1.17	0
THAILAND*	-0.43	-0.85	-0.41	7	2	2	-3	-0.51	1	-0.74	1
<b>Political Stability and Absence of Violence/Terrorism</b>											
BANGLADESH*	-1.63	-0.88	0.75	6	1	0	0	0.72	1	-1.31	0
SOUTH SUDAN	-1.80	-2.54	-0.74	1	1	0	1	-0.12	0	-1.80	0
DJIBOUTI	-0.12	-0.72	-0.60	2	2	0	0	-0.63	1	-0.12	0
LIBYA	-1.81	-2.32	-0.52	3	1	2	0	-0.56	1	-2.28	0
LESOTHO	0.32	-0.27	-0.60	3	2	0	0	-0.63	1	0.31	0
KOSOVO	-1.01	-0.34	0.68	2	1	0	1	0.44	0	-0.54	0
MALDIVES	0.22	0.88	0.66	2	1	0	0	0.64	0	0.19	0
MACEDONIA, FYR	-0.37	0.25	0.62	2	3	1	0	0.59	1	-0.37	0
KOREA, DEM. REP.	-0.54	-1.09	-0.55	2	2	1	0	-0.59	1	-0.49	0
UKRAINE*	-0.76	-1.93	-1.17	6	2	0	0	-1.21	1	-1.55	1
<b>Government Effectiveness</b>											
HAITI	-1.53	-2.03	-0.50	4	2	0	0	-0.51	1	-1.78	0
KAZAKHSTAN	-0.54	-0.02	0.52	5	2	1	0	0.51	1	-0.31	0
ST. KITTS AND NEVIS	0.90	-0.08	-0.98	1	0	0	0	-0.99	1	0.89	0
ST. LUCIA	0.96	-0.02	-0.98	1	0	0	1	-0.76	0	0.51	0
ST. VINCENT AND THE GRENADINES	0.90	0.12	-0.78	1	0	0	0	-0.79	1	0.82	0
<b>Regulatory Quality</b>											
<i>(no countries have changes 2013-2014 that are significant at the 75 percent level)</i>											
<b>Rule of Law</b>											
ANGUILLA	1.40	0.02	-1.38	1	0	0	0	-1.41	1	1.40	0
ANTIGUA AND BARBUDA	0.86	-0.19	-1.06	1	2	0	-1	-0.95	0	0.84	0
BERMUDA	1.14	0.02	-1.12	1	0	0	0	-1.15	1	1.14	0
CÔTE D'IVOIRE	-0.93	-0.61	0.33	7	4	1	-2	0.28	0	-0.77	0
ST. KITTS AND NEVIS	0.73	0.09	-0.64	1	0	0	-1	-0.59	0	0.71	0
NAURU	0.58	-1.11	-1.69	0	1	0	-1	-0.49	0	0.56	0
<b>Control of Corruption</b>											
CÔTE D'IVOIRE	-0.78	-0.41	0.36	4	1	4	-1	0.35	1	-0.57	0
MICRONESIA, FED. STS.	-0.17	0.84	1.01	2	0	0	0	1.01	1	-0.08	0
GEORGIA	0.35	0.74	0.39	5	4	1	0	0.38	1	0.55	0

Note: The rows of this table correspond to all cases where the change in the aggregate governance indicator between 2013 and 2014 is significant at the 25% level. Cases indicated with \* are also significant at the 10% level.