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Governance Matters 2008

WORLDWIDE GOVERNANCE INDICATORS 1996–2007

Policymakers, civil society groups, aid donors, and scholars around the world increasingly agree that good governance matters for development. This growing consensus has emerged from a proliferation of empirical measures of institutional quality, governance, and the investment climate, and accompanying research showing the strong development impact of good governance. For over a decade the Worldwide Governance Indicators (WGI) have been instrumental in enabling such research, fostering debate and discussion, and raising awareness about governance issues in the development community and beyond. This is the seventh installment of the Governance Matters research paper series.

The WGI capture six dimensions of governance for more than 200 countries and territories between 1996 and 2007. They organize and synthesize data reflecting the views of thousands of stakeholders worldwide, including respondents to household and firm surveys, and experts from nongovernmental organizations, public sector agencies, and providers of commercial business information. The latest update of the WGI is based on 35 data sources from 32 organizations around the world (see box on reverse).

The six aggregate measures and their underlying source data are available at www.govindicators.org, making the WGI one of the largest compilations of cross-country data on governance publicly available.

The WGI are a valuable tool for assessing cross-country differences and changes in country performance over time on key dimensions of governance. But simply looking at differences in governance scores is often insufficient, since some changes may be too small to be meaningful. To make these comparisons more informative, and to avoid a false sense of precision about small differences between countries, the WGI provide margins of error with every country score. These margins of error (depicted in Figure on reverse) indicate the likely range of scores for each country. Although such imprecision is present in all attempts to measure governance, it is rarely acknowledged explicitly as it is in the WGI. Thanks to improvements over time in the WGI, such margins of error have declined, and, even though they remain non-trivial, they are significantly less than the imprecision in any individual indicator of governance.

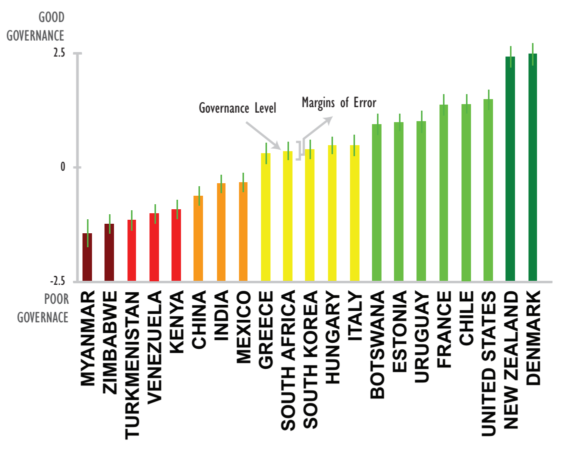
Six Key Dimensions of Governance

The WGI authors define governance as the traditions and institutions by which authority in a country is exercised. This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them. The WGI measure six broad definitions of governance capturing the key elements of this definition:

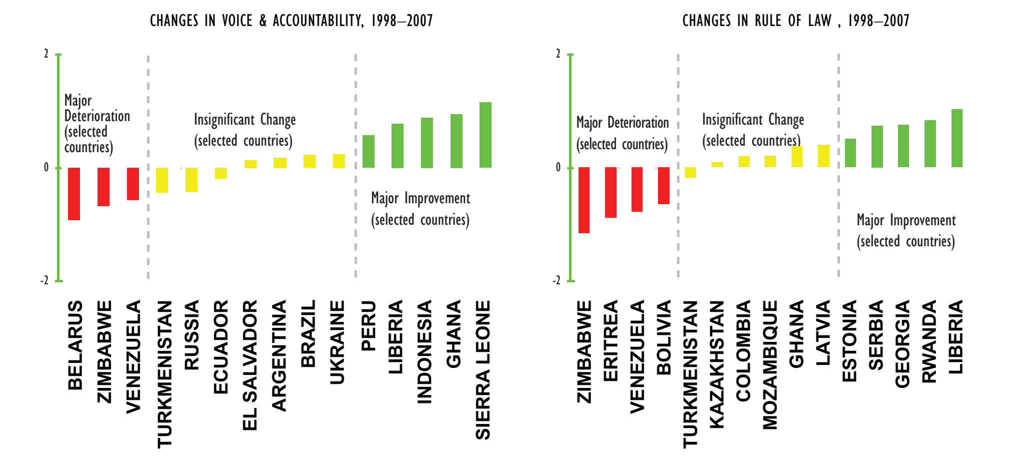
1. **Voice and Accountability:** the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.
2. **Political Stability and Absence of Violence/Terrorism:** the likelihood that the government will be destabilized by unconstitutional or violent means, including terrorism.
3. **Government Effectiveness:** the quality of public services, the capacity of the civil service and its independence from political pressures; and the quality of policy formulation.
4. **Regulatory Quality:** the ability of the government to provide sound policies and regulations that enable and promote private sector development.
5. **Rule of Law:** the extent to which agents have confidence in and abide by the rules of society, including the quality of contract enforcement and property rights, the police, and the courts, as well as the likelihood of crime and violence.
6. **Control of Corruption:** the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests.

DATASET AT: WWW.GOVINDICATORS.ORG

Control of Corruption
selected countries, 2007



Significant Improvements in Governance in Some Countries, but Deteriorations in Others



Many policymakers and civil society groups use the WGI to monitor performance and advocate for governance reform. The WGI are also used by aid donors who recognize that the quality of governance is an important determinant of the success of development programs. Scholars, too, use the indicators in their empirical research on the causes and consequences of good governance.

The WGI show that governance can in fact be measured systematically across countries. And this evidence-based approach yields important insights.

- Good governance is not the exclusive preserve of rich countries—in fact over a dozen developing and emerging countries including Slovenia, Chile, Botswana, Estonia, Uruguay, Czech Republic, Hungary, Latvia, Lithuania, Mauritius, and Costa Rica have governance scores better than those of industrialized countries such as Italy or Greece.
- Significant improvements in governance can and do occur even over the relatively short period of a decade. In fact nearly one-third of countries in the WGI show a significant change in at least one of the six aggregate indicators between 1998 and 2007, roughly equally divided between improvements and declines.
- Notions of "Afropessimism" regarding governance are misplaced, with several countries in Africa showing significant improvements in governance over the past decade, including Ghana, Liberia, Rwanda, Angola, Ethiopia, and the Democratic Republic of Congo, although often from a very low base.

"If you cannot measure it," Lord Kelvin famously remarked, "you cannot improve it." By supplying the tools to measure governance and monitor changes in its quality, the WGI have helped to reshape the framework in which governance reforms are designed, implemented, and assessed.

Data Sources for the Worldwide Governance Indicators

Surveys of Households and Firms: Afrobarometer; AmericasBarometer; Business Environment and Enterprise Performance Survey; Gallup World Poll; Global Competitiveness Report; Global Corruption Barometer; Latinobarometer; Political Economic Risk Consultancy; World Competitiveness Yearbook.

Commercial Business Information Providers: Business Environment Risk Intelligence; Economist Intelligence Unit; Global Insight; iJET Country Security Ratings; Merchant International Group; Political Risk Services.

Nongovernmental Organizations: Bertelsmann Transformation Index; Freedom House; Global E-Governance Index; Global Integrity Index; Heritage Foundation; International Research and Exchanges Board; Reporters Without Borders; Open Budget Index.

Public Sector Organizations: African Development Bank, Asian Development Bank and World Bank Country Policy and Institutional Assessments; Cingranelli-Richards Human Rights Database; European Bank for Reconstruction and Development Transition Report; French Ministry of Finance Institutional Profiles Database; International Fund for Agricultural Development Rural Sector Performance Assessments; OECD Development Center African Economic Outlook; U.S. State Department Trafficking in Persons Report.

*"Until the mid-nineties, I did not think that governance could be measured. The Worldwide Governance Indicators have shown me otherwise" says **Shlomo Yitzhaki, Director of Israel's Central Bureau of Statistics and Professor of Economics at the Hebrew University**. "It constitutes the state of the art on how to build periodic governance indicators which can be a crucial tool for policy analysts and decision-makers benchmarking their countries. Uniquely, it publicly discloses the aggregated and disaggregated data, as well as the estimated margins of error for each country. It definitely sets a standard for transparency in data."*