

A
DECADÉ
OF MEASURING
THE QUALITY OF
GOVERNANCE

GOVERNANCE MATTERS 2007
WORLDWIDE GOVERNANCE INDICATORS, 1996–2006



ANNUAL INDICATORS AND UNDERLYING DATA

BETTER DATA FOR BETTER GOVERNANCE

1

MAPPING GOVERNANCE—
CROSS-COUNTRY COMPARISONS

4

CHARTING CHANGES IN THE QUALITY
OF GOVERNANCE OVER TIME

8

USING THE WORLDWIDE GOVERNANCE
INDICATORS ON THE WEB

9

SOURCES AND METHODS USED IN THE
WORLDWIDE GOVERNANCE INDICATORS

13

QUESTIONS AND ANSWERS ABOUT
MEASURING GOVERNANCE ACROSS COUNTRIES

18

FURTHER READING

20

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WASHINGTON, DC 20433

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The governance indicators presented here reflect the statistical aggregation of responses on the quality of governance given by a large number of survey respondents in industrial and developing countries, as compiled by many different survey institutes, think tanks, nongovernmental organizations, and international organizations, and as aggregated by researchers in The World Bank Institute and in the The World Bank's Development Research Group. As discussed in detail in publicly available research papers and in detailed materials available on The World Bank's Web site, countries' relative positions on these indicators are subject to margins of error that are clearly indicated and should be taken into consideration when making comparisons across countries and over time.

BETTER DATA FOR BETTER GOVERNANCE



A dozen years ago virtually no internationally comparable measures of governance or corruption existed. Since then, the world has seen an explosion of empirical research aimed at measuring governance, monitoring country progress, understanding the causes and consequences of good governance for development, and learning from successes and failures. The Worldwide Governance Indicators described in this booklet are one contribution to that explosion. They are based on a long-standing research program of the World Bank Institute and the Research Department of the World Bank, initiated in the late 1990s by Daniel Kaufmann and Aart Kraay, with the assistance of Pablo Zoido-Lobaton and Massimo Mastruzzi. Sometimes referred to as the “KK,” “KKZ,” or “KKM” indicators, they have been compiled since 1996 and measure the quality of governance in well over 200 countries, based on 33 data sources produced by 30 different organizations worldwide (see page 16).

The Worldwide Governance Indicators, which capture six key dimensions of governance (see pages 2–3), were published every other year between 1996 and 2002. To meet strong demand, since 2002 they are released annually. Virtually all of the individual data sources underlying the aggregate indicators are, along with the indicators themselves, available electronically at www.govindicators.org. This collection of detailed individual and aggregate indicators covering a decade is one of the world’s largest publicly available compilations of data on governance.

Policy makers and academics agree that good governance matters for economic development. Scholars have discovered that high-quality institutions have the power, over the long run, to raise per capita incomes and promote growth in all parts of the world. And the “development dividend” paid by good governance is large. Researchers estimate that when governance is improved by one standard deviation, incomes rise about three-fold in the long run, and infant mortality declines by two-thirds. Because such a one standard deviation improvement constitutes just a fraction of the difference between the worst and best performers, it is within reach. Consider, for example, that on the dimension of rule of law one standard deviation is all that separates Somalia from Côte d’Ivoire, Côte d’Ivoire from El Salvador, El Salvador from Italy and Botswana, and Botswana from the United Kingdom. On control of corruption, to take another example, one standard deviation divides Equatorial Guinea from Burundi, Burundi from Lithuania, Lithuania from Chile, and Chile from Finland. On voice and accountability, one standard deviation separates Burma and the Democratic People’s Republic of Korea from Tajikistan and Chad, Chad from Fiji and Singapore, Singapore from the Republic of Korea and Botswana, and Botswana from Denmark.

SIX AGGREGATE INDICATORS OF THE QUALITY OF GOVERNANCE

The Worldwide Governance Indicators project defines governance as the set of traditions and institutions by which authority in a country is exercised. The political, economic, and institutional dimensions of governance are captured by six aggregate indicators.

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

1

POLITICAL STABILITY AND ABSENCE OF VIOLENCE

perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including domestic violence and terrorism

2

GOVERNMENT EFFECTIVENESS

the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies

3

Such findings, and the data behind them, reinforce the experiences and observations of reform-minded individuals in government, civil society, and the private sector, who know that good governance is essential for development. Their growing recognition of the link between good governance and successful development has stimulated demand for monitoring the quality of governance across countries and within individual countries over time.

SIGNIFICANT IMPROVEMENTS IN GOVERNANCE AROUND THE WORLD

The Worldwide Governance Indicators show significant improvements in governance in a diverse set of countries around the world. Looking at the period from 1998 to 2006, countries such as Kenya, Rwanda, Indonesia, Algeria, and Tajikistan saw sharp improvements in various dimensions of governance. The table below shows countries with improvements in one or more dimensions of governance which were significant at the 90 percent confidence level. And many more countries registered substantial improvements in governance that nevertheless fell short of this very strict significance criterion.

SIGNIFICANT IMPROVEMENTS IN GOVERNANCE 1998-2006

| | |
|--------------------------|---|
| VOICE AND ACCOUNTABILITY | Indonesia, Kenya, Niger, Serbia, Sierra Leone |
| POLITICAL STABILITY | Algeria, Angola, Libya, Rwanda, Sierra Leone |
| GOVERNMENT EFFECTIVENESS | Afghanistan, Algeria, Hong Kong (China), South Korea |
| REGULATORY QUALITY | Armenia, Democratic Republic of Congo, Slovakia, Tajikistan |
| RULE OF LAW | Algeria, Liberia, Serbia, Tajikistan |
| CONTROL OF CORRUPTION | Serbia, Tanzania |

Set against these successes are deteriorations in governance as well, with countries such as Nepal, Belarus, Bolivia, Cote d'Ivoire, Venezuela and Zimbabwe showing significant declines in one or more dimensions of governance over the same period.

Donor agencies, too, have concluded that development assistance is more effective in countries with good institutional quality. Increasingly, international financial institutions and some bilateral donor agencies, subscribing to evidence-based policy and decision making, explicitly tie aid transfers to governance outcomes. To make their decisions, they rely on a variety of indicators. Because governance is complex and any indicator is subject to a degree of imprecision, no single indicator can be used mechanically for this important task. But the explosion of data in recent years has given donors a wealth of options for analysis and policy formulation.

The Worldwide Governance Indicators make it possible to evaluate the quality of a country's governance in comparison with other countries—and over time. This type of data has done much to refute three notions that are as pernicious as they are fallacious.

REGULATORY QUALITY

the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development

4

RULE OF LAW

the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, the police, and the courts, as well as the likelihood of crime and violence

5

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

6

■ **Fallacy 1: Governance cannot be measured—at least not with enough precision to be useful.**

Governance *can* be measured, given the wide range of possible indicators now available. None is perfect, of course. But the Worldwide Governance Indicators are transparent and precise about the degree of imprecision in the data. Falling short of total precision does not detract from the usefulness and relevance of the data: many meaningful comparisons are both feasible and useful for policy analysis.

■ **Fallacy 2: The industrialized countries are all well-governed, while the developing world suffers from uniformly poor governance.** In fact, more than a dozen emerging economies, including, for example, Slovenia, Chile, Botswana, Estonia, Uruguay, Costa Rica, Czech Republic, Latvia and Lithuania, score higher on rule of law and control of corruption than some industrialized countries, such as Greece and Italy. This can also be seen in other dimensions of governance (see page 7).

■ **Fallacy 3: Significant progress to improve governance and curb corruption cannot occur in a short time.** In fact, the ability to measure and monitor progress on key dimensions of governance such as rule of law, corruption, and voice and accountability already has enabled reformers in government and civil society to press for improvements in the quality of governance in many countries. Between 1998 and 2006, significant changes in at least one of the six governance indicators occurred in roughly one-third of countries, some for the better and some for the worse. And even over shorter periods such as 2002–2006, significant changes in governance have occurred in roughly 1 in 10 countries. The numbers of significant improvements and deteriorations are roughly similar and suggest varied trends in performance both within regions and across the globe. For instance, in Africa, refuting notions of “Afro-pessimism,” some countries have seen improvements in governance, although others have seen declines (see box on page 6).

“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 World Bank and other research enterprises have helped reshape the framework within which governance reforms are implemented, not only by giving us a better and deeper understanding of countries’ strengths and weaknesses, but also by offering insights and evidence of how reforms can generate development dividends.

WEB SITES OF INTEREST

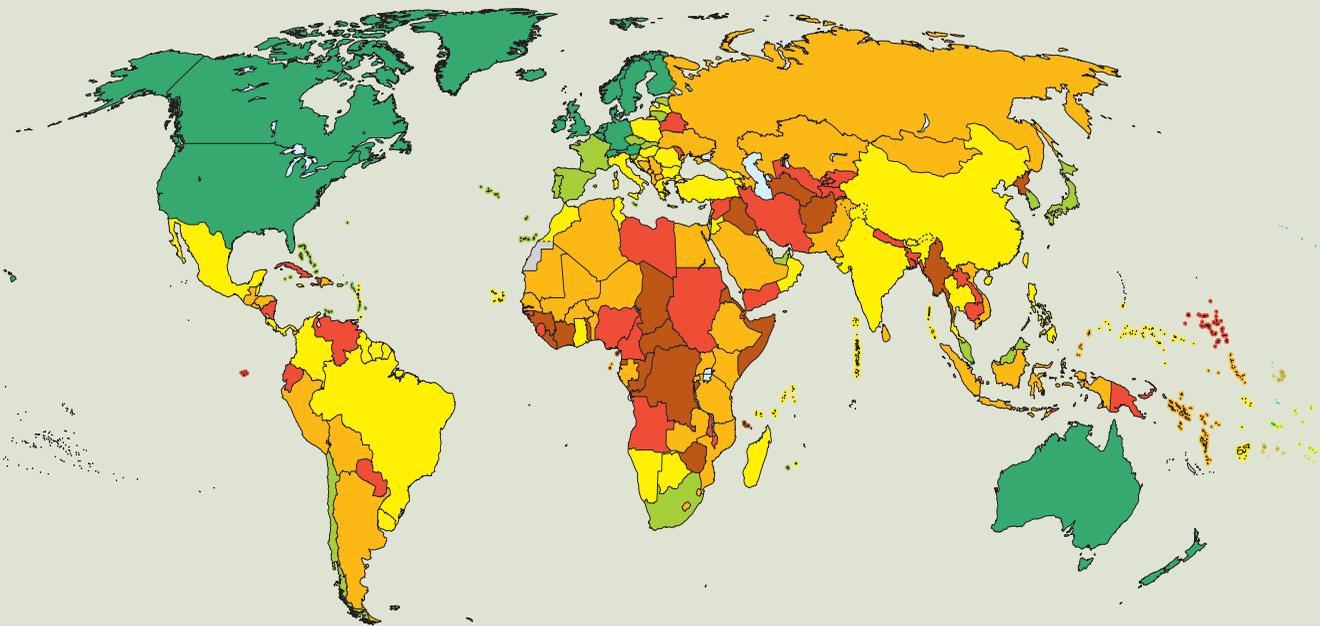
WORLDWIDE GOVERNANCE INDICATORS HOMEPAGE
<http://www.govindicators.org>

WORLD BANK INSTITUTE GOVERNANCE HOMEPAGE:
<http://www.worldbank.org/wbi/governance>

GOVERNANCE DIAGNOSTIC CAPACITY BUILDING:
<http://www.worldbank.org/wbi/governance/capacitybuild>

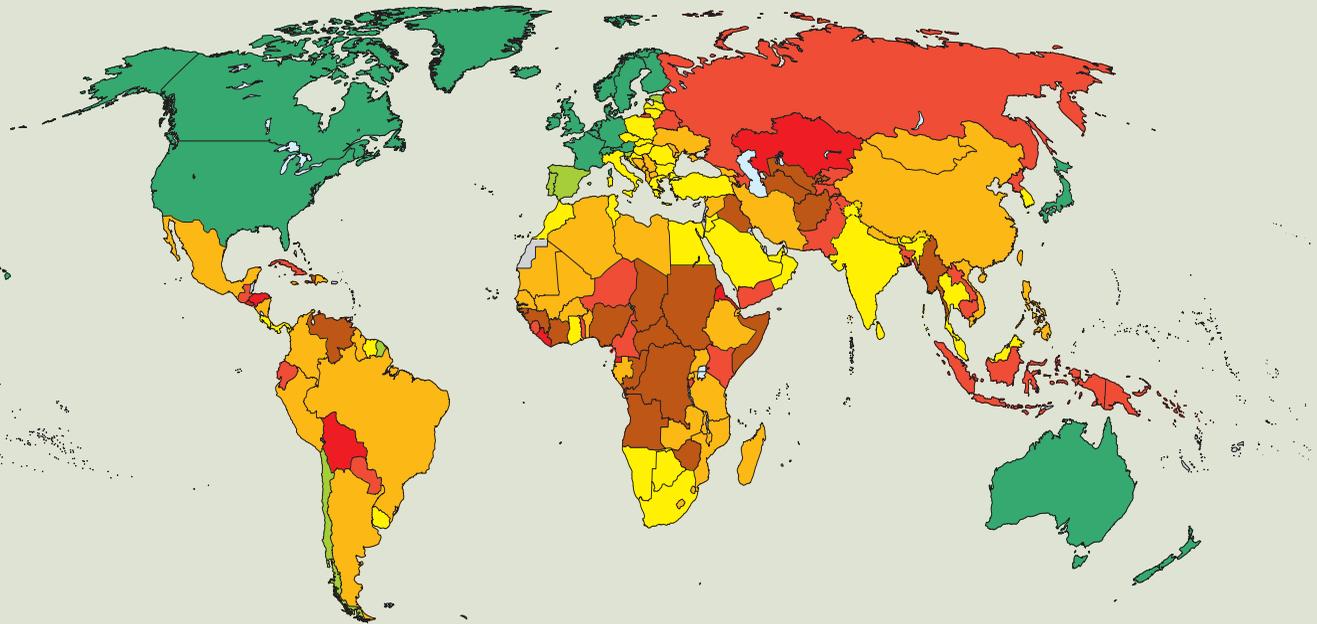
MAPPING GOVERNANCE —CROSS-COUNTRY COMPARISONS FOR 2006

GOVERNMENT EFFECTIVENESS measures the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to those policies.



IBRD 35037R
JUNE 2007

RULE OF LAW measures the extent to which agents have confidence in and abide by the rules of society, in particular the quality of contract enforcement, the police, and the courts, as well as the likelihood of crime and violence.



IBRD 3503BR
JUNE 2007

These maps depict the percentile rankings of countries on certain dimensions of governance. The percentile rank indicates the percentage of countries in the world that score below a given country. Each rating is subject to a margin of error, and although the color coding cannot account for those margins, the use of six color-coded categories conveys the importance of avoiding spuriously precise rankings for individual countries.

COLOR CODING

- Above 90th percentile
- 50th to 75th percentile
- 10th to 25th percentile
- No data

- 75th to 90th percentile
- 25th to 50th percentile
- Below 10th percentile

TRACKING CHANGE OVER TIME CHALLENGES “AFRO-PESSIMISM”

The Economist magazine challenged the prevailing pessimism about governance in Sub-Saharan Africa, pointing to changes in the quality of governance as revealed in the Worldwide Governance Indicators. In June 2005, *The Economist* used the indicators (for the period ending in 2004) to identify several countries that were making significant progress on various governance dimensions, as well as others that were deteriorating.

Now, using the current release of the indicators, analysts can investigate whether significant change has occurred in 212 countries and territories, taking any period from 1996 until the end of 2006 as a point of comparison. The Worldwide Governance Indicators show that from the mid- to late 1990s up to the present, several countries in Africa have substantially improved on various dimensions of governance. Examples include Nigeria on voice and accountability; Rwanda on government effectiveness, rule of law, and corruption; Liberia on voice and accountability; Mozambique on political stability and absence of violence; the Democratic Republic of Congo on political stability and absence of violence, and regulatory quality; Senegal on political stability and absence of violence; Tanzania on control of corruption; Ghana and Kenya on voice and accountability; and Cape Verde on control of corruption. In contrast, governance in Zimbabwe and Côte d'Ivoire has deteriorated sharply on every dimension; in other countries, such as in Eritrea and Ethiopia, it has deteriorated on some but not all dimensions.

The distinct variation in performance among countries in Africa (as well as on other continents) applies not only to changes over time but also to the level of governance quality from country to country at any given time. The governance indicators can be used to challenge simplistic, and often negative, generalizations about a whole continent, revealing instead the rich variation across countries, as the accompanying maps illustrate.

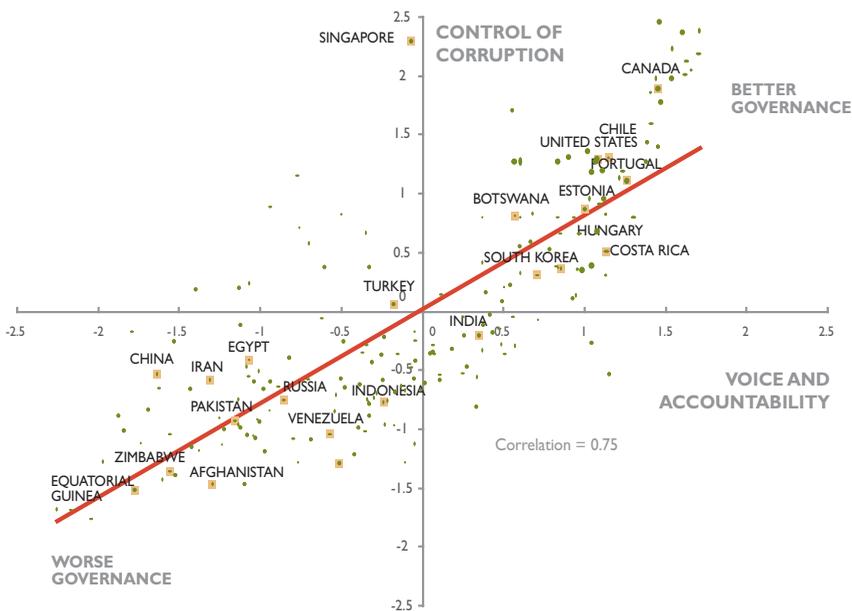




DEMOCRATIC ACCOUNTABILITY AND CLEAN GOVERNMENT GO HAND IN HAND AROUND THE WORLD

Data from the Worldwide Governance Indicators for 2006 show that democratic accountability and clean government go hand in hand. Countries such as Chile, Botswana, and Canada all are vibrant democracies with very little corruption, while countries with voice and accountability challenges such as China and the Russian Federation, or, more extremely, Zimbabwe and Equatorial Guinea, tend to have much more corruption. This is consistent with the idea that when citizens can demand more accountability through the ballot box, or where there is freedom of expression, of the media, and of information, governments become cleaner and less corrupt. These important elements, sometimes labeled the demand side of governance, are emphasized in the newly strengthened World Bank strategy to address governance and corruption, which points to the need to support institutions of accountability outside the executive, such as parliaments, the media, civil society, and the private sector.

But there are exceptions to the link between the extent of voice and democratic accountability that a country exhibits and its success in controlling corruption. Singapore, a city-state, has one of the best rankings in the world on control of corruption, but it ranks in the middle of the pack on voice and accountability, below much poorer countries, such as Brazil and Botswana. Furthermore, despite their active, albeit imperfect, democracies, countries such as Bangladesh and Indonesia have quite low scores on control of corruption. And finally, the good performance of countries such as Botswana, Costa Rica, Chile, and Estonia on both dimensions reminds us that good governance is not the sole preserve of rich, industrialized countries, but can be found around the world.



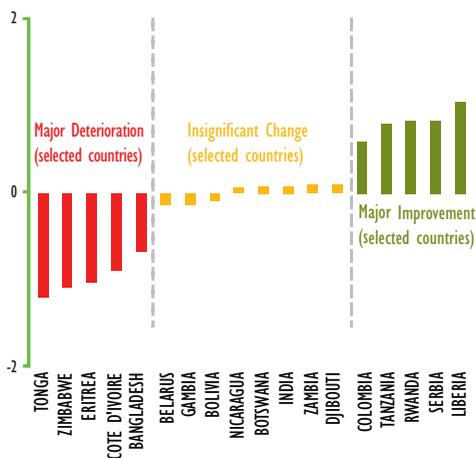
CHARTING CHANGES IN THE QUALITY OF GOVERNANCE OVER TIME



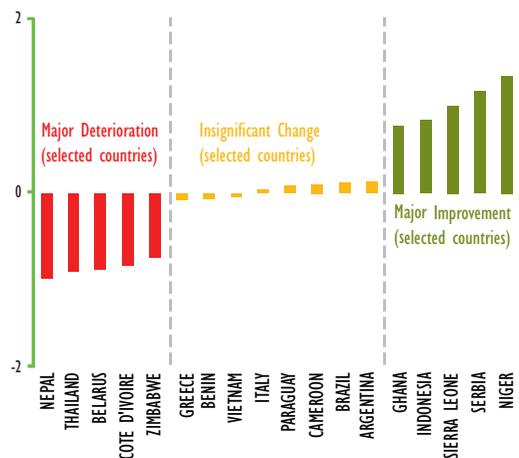
Policy makers often are interested in trends in institutional quality. They may want to know, for example, whether governance is improving or worsening over time in a particular country. The presence of measurement error in any indicator makes assessing actual trends a challenging undertaking. Simply looking at changes in the governance ratings is not enough, since some changes may be too small to be practically—and statistically—meaningful. The Worldwide Governance Indicators project has developed a formal statistical methodology and simple rules for identifying changes in governance that are statistically significant and likely to be practically important for policy makers.

Over the past decade we can be quite confident (at the 90 percent confidence level) that at least one of the six aggregate governance indicators has changed substantially in 30 percent of countries. At a somewhat lower level of confidence (75 percent

Changes in control of corruption in selected countries, 1998–2006



Changes in voice and accountability in selected countries, 1998–2006



Changes were calculated on the basis of the differences in country estimates from 1998 and 2006. Classification for major deteriorations and improvements were based on 75% confidence interval. Source for data: 'Governance Matters VI: Governance Indicators for 1996-2006', by D. Kaufmann, A. Kraay and M. Mastruzzi, June 2007 - www.govindicators.org

confidence), 60 percent of countries have seen changes in at least one dimension of governance over the past decade. Moreover, the many individual data sources are in substantial agreement about the direction of change in governance in these countries. In fact, for large changes in governance, typically 80 percent of the underlying data sources move in the same direction as the aggregate indicators.

Changes in control of corruption and voice and accountability for selected countries between 1998 and 2006 are shown on the facing page.

Using the Worldwide Governance Indicators on the Web

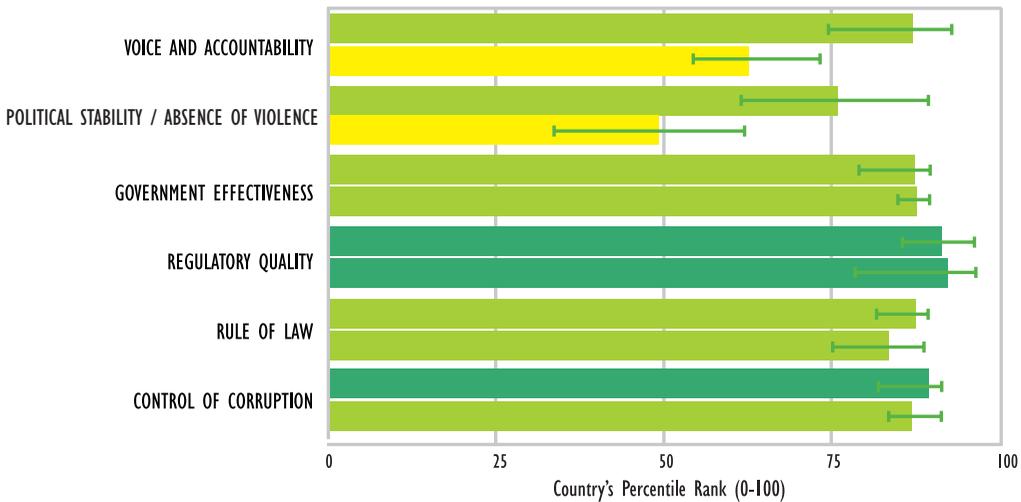
The aggregate governance indicators, together with virtually all of the underlying data, are available on the Worldwide Governance Indicators Web site (<http://www.govindicators.org>). This site features a set of graphical tools that allow users to take snapshots of governance performance in individual countries or groups of countries. The full dataset is available for downloading.

Users can compare the six dimensions of governance within a country over time or compare each dimension of governance across several countries. A statistical table with details on the governance estimates is automatically generated in response to the user's selections. Users also can drill down to the individual indicators for further details for the selected country and years. It is possible, for example, to access the actual data and link to the organizations that provided those data.



COMPARING SIX DIMENSIONS OF GOVERNANCE OVER TIME USING THE WORLDWIDE GOVERNANCE INDICATORS WEB TOOL: CHILE 1998–2006

Chile: Top line for each dimension signifies 2006; bottom line signifies 1998. Lines at end of bars denote margin of error.



REPORTERS WITHOUT BORDERS [HTTP://WWW.RSF.ORG](http://www.rsf.org)

Reporters Without Borders, headquartered in Paris, is an international organization dedicated to the protection of reporters and to the preservation of press freedom throughout the world. In 2002 Reporters Without Borders published its first worldwide press freedom index, compiled for 139 countries. The index is now computed annually based on a survey of journalists, researchers, and legal experts, who respond to 50 questions about a range of violations of press freedom.

CHILE

| GOVERNANCE INDICATOR | SOURCES | YEAR | PERCENTILE RANK | GOVERNANCE SCORE | STANDARD ERROR |
|---|---------|------|-----------------|------------------|----------------|
| | | | (0-100) | (-2.5 to +2.5) | |
| VOICE AND ACCOUNTABILITY | 11 | 2006 | 87.5 | 1.15 | 0.17 |
| SOURCE | | | | TYPE | VALUE |
| Global Insight Business Conditions and Risk Indicators | | | | Experts | 0.88 |
| Freedom House | | | | Experts | 0.90 |
| Political Risk Services International Country Risk Guide | | | | Experts | 0.79 |
| Economist Intelligence Unit | | | | Experts | 0.94 |
| Reporters Without Borders Press Freedom Index | | | | Experts | 0.89 |
| Cingranelli Richards Human Rights Database & Political Terror Scale | | | | Experts | 0.88 |
| Institute for Management and Development World Competitiveness Yearbook | | | | Survey | 0.57 |
| World Economic Forum Global Competitiveness Report | | | | Survey | 0.67 |
| Latinobarometro | | | | Survey | 0.39 |
| Bertelsmann Transformation Index | | | | Experts | 0.90 |
| Gallup Poll Survey | | | | Survey | 0.59 |
| | 7 | 1998 | 63.0 | 0.48 | 0.23 |
| POLITICAL STABILITY | 10 | 2006 | 77.4 | 0.85 | 0.22 |
| | 6 | 1998 | 50.5 | 0.13 | 0.24 |
| GOVERNMENT EFFECTIVENESS | 13 | 2006 | 87.7 | 1.25 | 0.16 |
| | 8 | 1998 | 87.7 | 1.36 | 0.15 |
| REGULATORY QUALITY | 10 | 2006 | 91.7 | 1.41 | 0.18 |
| | 8 | 1998 | 92.7 | 1.23 | 0.26 |
| RULE OF LAW | 16 | 2006 | 87.6 | 1.15 | 0.13 |
| | 12 | 1998 | 83.8 | 1.08 | 0.16 |
| CONTROL OF CORRUPTION | 13 | 2006 | 89.8 | 1.31 | 0.15 |
| | 10 | 1998 | 87.4 | 1.35 | 0.17 |

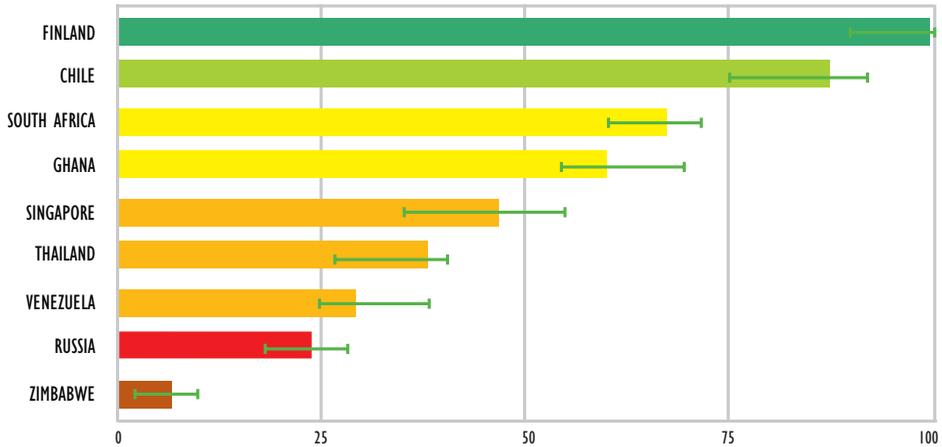
COLOR CODING

- Above 90th percentile
- 50th to 75th percentile
- 10th to 25th percentile

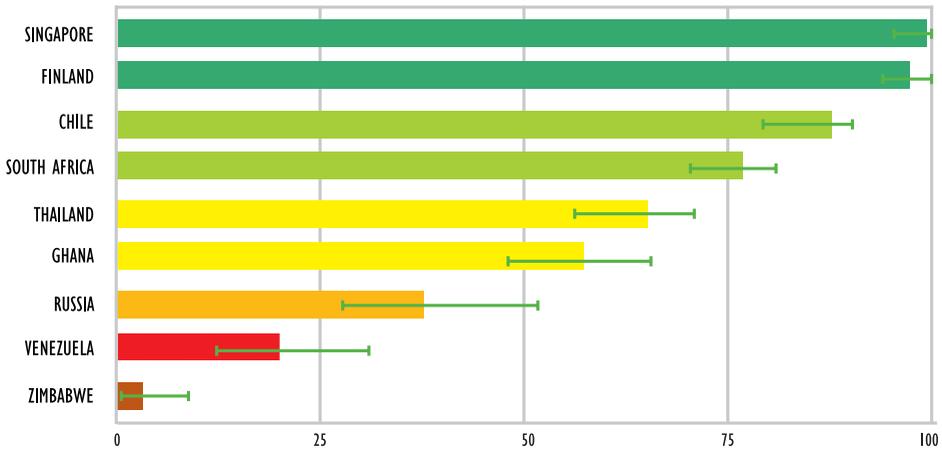
- 75th to 90th percentile
- 25th to 50th percentile
- Below 10th percentile

CROSS-COUNTRY COMPARISONS OF GOVERNANCE USING THE WORLDWIDE GOVERNANCE INDICATORS WEB TOOL

Voice and Accountability (Selected Countries, 2006)



Government Effectiveness (Selected Countries, 2006)



COLOR CODING

- Above 90th percentile
- 50th to 75th percentile
- 10th to 25th percentile
- 75th to 90th percentile
- 25th to 50th percentile
- Below 10th percentile

Note: Thin lines at ends of bars denote margin of error.
Source: <http://www.govindicators.org>

SOURCES AND METHODS USED IN THE WORLDWIDE GOVERNANCE INDICATORS



The Worldwide Governance Indicators have been developed and refined over the past eight years. The first “Governance Matters” paper was released in 1999, with data for 1997/8, together with a paper describing the statistical methodology and uses of the indicators. Since then five updates of “Governance Matters” have been published, with successive updates of the data as well as a backward extension to 1996. These papers are available in the World Bank’s Policy Research Department Working Paper Series (<http://econ.worldbank.org>), and several have been published in scholarly journals and books. Users of the governance indicators are encouraged to consult these papers for a detailed treatment of the issues raised in this booklet (see page 20).

These research reports document in detail the growing set of data sources on which the aggregate indicators are based. They also address a large number of methodological issues that arise in the construction and use of the aggregate indicators. These include:

- Extensive discussion of the statistical methodology for assessing the significance of levels and changes in governance over time
- Interpretation of margins of error
- Potential biases in the perceptions data and their (insignificant) effect on results
- Analysis of the discrepancies between perceptions of governance and the quality of laws and regulations “on the books”
- Analysis of the causal links between governance and development outcomes.

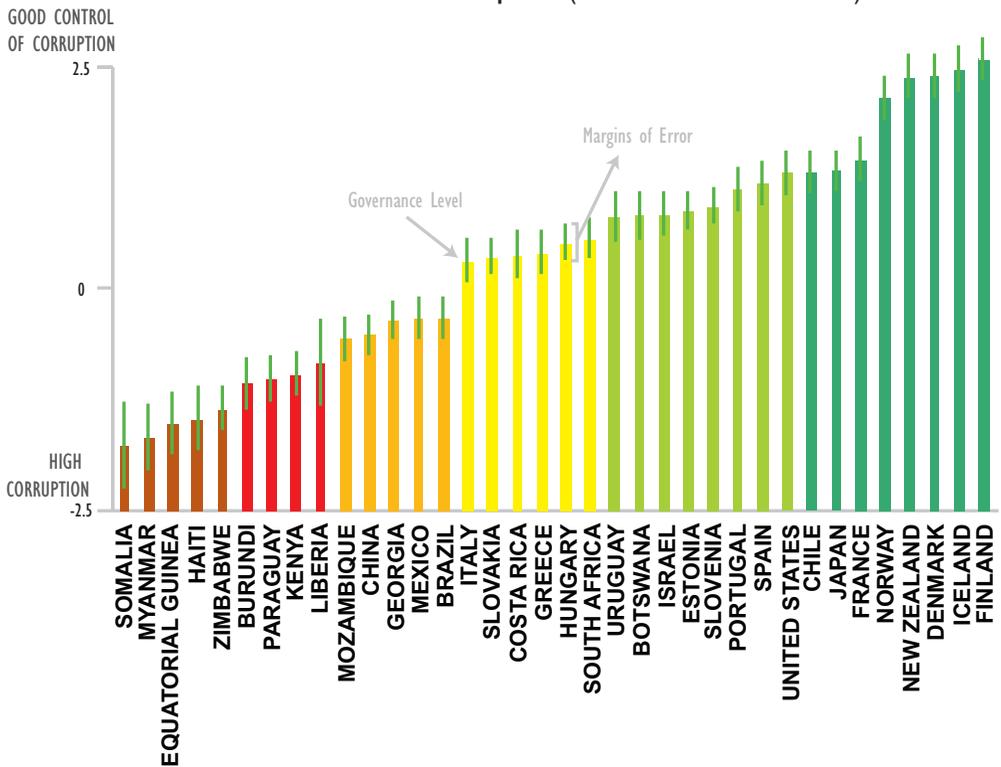
The aggregate indicators are based on several hundred underlying variables that reflect perceptions of a wide range of governance issues. For the 2007 release, which includes data through the end of 2006, the governance indicators are drawn from 33 separate data sets maintained by 30 different organizations worldwide. The data consist of surveys of firms and individuals, as well as the assessments of commercial risk-rating agencies, nongovernmental organizations and think tanks, and multilateral aid agencies (see page 16). Almost all sources are available annually. The Worldwide Governance Indicators draw on only the most recent data available from each source.

Each of the many individual indicators becomes part of one of the six aggregate indicators (see pages 2–3), on the premise that any single indicator provides only a partial measure of the broader notion of governance to which it is assigned. A statistical methodology known as the “unobserved components model” is then used to construct aggregate indicators from the individual measures. The aggregate indicators are weighted averages of the underlying data, with weights reflecting the precision of the individual data sources. Aggregate indicators are



CONTROL OF CORRUPTION

Control of Corruption (Selected Countries, 2006)



Governance is Measured on a Scale from -2.5 (Poor Governance) to 2.5 (Good Governance)

COLOR CODING

- Above 90th percentile
- 50th to 75th percentile
- 10th to 25th percentile
- 75th to 90th percentile
- 25th to 50th percentile
- Below 10th percentile

Source: <http://www.govindicators.org>

more informative about the six broad dimensions of governance than any individual measure can be, since they average information from many different sources.

The unobserved components model also generates margins of error for the estimates of governance for each country. The margins allow users to identify not just a single rating for each country, but also a range of statistically likely ratings, as illustrated in the accompanying figure on corruption for 2006. The vertical axis plots the point estimate for each country, together with the statistically likely range of values as a vertical green line. There is a 90 percent chance that the true value of governance for the country lies within that range.

The ranges are not trivial, which means that some of the smaller differences in governance across countries shown in the figure are not statistically meaningful. For example, the likely range of values for corruption for Denmark, Singapore, and Finland all overlap substantially, suggesting that the slight differences in their country rankings should not be overinterpreted as capturing important differences. But in many other comparisons of countries, these likely ranges of values do not overlap, indicating much more important differences across countries. For example, differences between Denmark and Japan, or Japan and South Africa, or South Africa and Brazil, or Brazil and Kenya, are all much more significant. The majority of country comparisons are like this. The 2006 control of corruption indicator, for example, which covers 207 countries, allows for 21,321 comparisons between pairs of countries. The differences revealed in roughly three-quarters of those comparisons are statistically important at the 75 percent confidence level.

Margins of error are not unique to the Worldwide Governance Indicators, nor are they due to the use of perceptions data. Instead, they reflect the pervasive difficulties of measuring governance itself. No single measure can perfectly capture complex concepts such as corruption, government effectiveness, voice and accountability, or the investment climate.

The Worldwide Governance Indicators project is forthright in acknowledging the imprecision of its estimates of corruption and other dimensions of governance, and points to the need for other raters to do the same. Unfortunately, most existing measures of governance (or investment climate) simply report country rankings without regard for the inevitable uncertainty associated with such rankings. The failure to report margins of error encourages a sense of false precision and excessive emphasis on marginal differences in country rankings that may in fact be due to measurement error.

INDIVIDUAL COMPONENTS OF THE AGGREGATE WORLDWIDE GOVERNANCE INDICATORS

The Worldwide Governance Indicators rely on 33 sources, including surveys of enterprises and citizens, and expert polls, gathered from 30 different organizations around the world. These provide data derived from hundreds of questions on governance. Each question is mapped to one of the six dimensions of governance before the aggregation is carried out. Here are some examples of how individual inputs are assigned to aggregate indicators.

MAPPING INDIVIDUAL QUESTIONS TO AGGREGATE INDICATORS

| QUESTION FROM INDIVIDUAL INDICATOR | AGGREGATE INDICATOR TO WHICH THAT QUESTION CONTRIBUTES |
|--|--|
| <i>From expert assessments</i> | |
| Are civil liberties and political rights respected? | >> Voice and accountability |
| How does risk of political violence influence government? | >> Political stability and absence of violence/terrorism |
| How strong are public institutions and the quality of the civil service? | >> Government effectiveness |
| How prevalent are unfair competitive practices? | >> Regulatory quality |
| Is the judicial process swift and fair? | >> Rule of law |
| To what extent do politicians engage in corruption and nepotism? | >> Control of corruption |
| <i>From surveys of firms or individuals</i> | |
| Are elections fair? | >> Voice and accountability |
| Does the threat of terrorism impose costs on firms? | >> Political stability and absence of violence/terrorism |
| Is the public service independent from political interference? | >> Government effectiveness |
| Is it easy to start a business? | >> Regulatory quality |
| Is the judiciary independent from political interference? | >> Rule of law |
| “Unofficial payments” typically account for what percentage of sales? | >> Control of corruption |

DATA SOURCES FOR THE WORLDWIDE GOVERNANCE INDICATORS

| SOURCE | PUBLIC | TYPE |
|---|---------|---------------|
| African Development Bank Country Policy and Institutional Assessments | Partial | Expert (GOV) |
| Afrobarometer | Yes | Survey |
| Asian Development Bank Country Policy and Institutional Assessments | Partial | Expert (GOV) |
| Bertelsmann Transformation Index | Yes | Expert (NGO) |
| Business Enterprise Environment Survey | Yes | Survey |
| Business Environment Risk Intelligence Business Risk Service | Yes | Expert (CBIP) |
| Business Environment Risk Intelligence Financial Ethics Index | Yes | Expert (CBIP) |
| Cingranelli Richards Human Rights Database & Political Terror Scale | Yes | Expert (NGO) |
| Economist Intelligence Unit | Yes | Expert (CBIP) |
| European Bank for Reconstruction and Development Transition Report | Yes | Expert (GOV) |
| Freedom House | Yes | Expert (NGO) |
| Freedom House Countries at the Crossroads | Yes | Expert (NGO) |
| Gallup Poll Survey | Yes | Survey |
| Global E-Governance Index | Yes | Expert (NGO) |
| Global Insight Business Conditions and Risk Indicators | Yes | Expert (CBIP) |
| Global Insight Global Risk Service | Yes | Expert (CBIP) |
| Global Integrity Index | Yes | Expert (NGO) |
| Heritage Foundation Index of Economic Freedom | Yes | Expert (NGO) |
| IFAD Rural Sector Performance Assessments | Yes | Expert (GOV) |
| iJET Country Security Risk Ratings | Yes | Expert (CBIP) |
| Institute for Management and Development World Competitiveness Yearbook | Yes | Survey |
| International Budget Project Open Budget Index | Yes | Expert (GOV) |
| International Research and Exchanges Board Media Sustainability Index | Yes | Expert (NGO) |
| Latinobarometro | Yes | Survey |
| Merchant International Group Gray Area Dynamics | Yes | Expert (CBIP) |
| OECD Development Center African Economic Outlook | Yes | Expert (GOV) |
| Political Economic Risk Consultancy Corruption in Asia Survey | Yes | Survey |
| Political Risk Services International Country Risk Guide | Yes | Expert (CBIP) |
| Reporters Without Borders Press Freedom Index | Yes | Expert (NGO) |
| Transparency International Global Corruption Barometer Survey | Yes | Survey |
| US State Department Trafficking in People report | Yes | Expert (GOV) |
| World Bank Country Policy and Institutional Assessments | Partial | Expert (GOV) |
| World Economic Forum Global Competitiveness Report | Yes | Survey |

“Survey” refers to surveys of firms and individuals with first-hand knowledge of the governance situation in the country. “Experts” refers to assessments by country analysts at commercial risk-rating agencies, nongovernmental organizations, and multilateral aid agencies. We distinguish expert assessments from commercial business information providers (CBIP), public sector data providers (GOV), and non-governmental organizations (NGO). Publicly available data sources are fully disclosed on the Worldwide Governance Indicators Web site. Partial access to confidential data sources is provided on the Web sites of the providing organization.

QUESTIONS AND ANSWERS ABOUT MEASURING GOVERNANCE ACROSS COUNTRIES

Can a single indicator capture all that we need to know about governance?

Most certainly not. Governance is a complex phenomenon with many dimensions, ranging from the rule of law, to public sector management, to the accountability of governments to their citizens. No single indicator can capture this diversity of issues. A complete picture of the governance situation in a country can be obtained only by consulting a wide range of measures.

The needs of the users of governance indicators also differ, necessitating different kinds of measures. Some aid donors use broad measures of governance available for many countries over time, such as the six Worldwide Governance Indicators. Policy makers in a particular country are likely to find detailed country-specific measures more useful than broad cross-country comparisons in identifying reform priorities. The large number of individual governance indicators on which the aggregate indicators are based can be very useful in this respect. They can be complemented with in-depth country diagnostic surveys such as the World Bank Institute's Governance and Anti-Corruption (GAC) Diagnostics, which capture the views of citizens, public officials, and firms.

Do subjective or perceptions-based measures of governance provide reliable information, or do they simply reflect vague and generic perceptions—or worse, hearsay and rumor?

The Worldwide Governance Indicators are a compilation of information and perceptions from a very diverse group of respondents, collected in large number of surveys and other cross-country assessments of governance. Some of these instruments capture the views of firms, individuals, and public officials in the countries being assessed. Others reflect the carefully considered views of NGOs and aid donors with considerable experience in the countries being assessed. Still others are based on the assessments of commercial risk-rating agencies, which face a "market test." If their information were worthless hearsay, it would find few buyers. The extent of agreement among these very diverse stakeholders is striking. For corruption, for example, the assessments of commercial risk-rating agencies are correlated at 80 percent or higher with a totally independent survey of firms across countries.

Perceptions data are very often specific and experiential, rather than vague and general, and many specific questions go into each aggregate indicator. For example, the Global Competitiveness Survey coordinated by the World Economic Forum asks questions like this: "*When firms like yours do business with the government, how much of the contract value must they offer in additional payments to secure the contract?*" Equally specific questions are posed by other firm surveys like the World Bank's Business Environment and Enterprise Performance Survey (BEEPS). Household surveys, such as the Transparency International's Global Corruption Barometer Survey and Latinobarometro, ask respondents to report percentages of corrupt officials or a specific number of times they witnessed acts of corruption.

Shouldn't we try to measure governance with "hard" objective data rather than "soft" perceptions data?

For many dimensions of governance, relevant objective data are difficult to obtain. Consider the difficulty of measuring corruption objectively. Almost by definition, corruption leaves no paper trail. Even where objective measures are available, they provide only imperfect proxies for real conditions. For example, the constitutional limits on executive authority in a country, the laws governing judicial independence, or the regulations governing business entry may correspond very poorly with the actual application of those rules and procedures. When formal rules governing business entry in developing countries are compared with surveys of firms' perceptions of the ease or difficulty of business entry, for example, there is a rather low correlation between what appears on the books and what is practiced on the ground. Much of the difference can be traced to corruption, which leads to a subversion of official rules. There should be no presumption, therefore, that objective data are necessarily more informative than reports from experts, citizens, or firms with real-world experience. The Worldwide Governance Indicators reflect this wealth of experience by relying on such perceptions data.

Why do the Worldwide Governance Indicators have substantial margins of error?

No measure of governance can be 100 percent accurate or reliable. There are margins of error in any survey. Information on a country's governance practices or its institutional and legal structures may be inaccurate, rules may be unenforced, and the situation "on the books" may correspond poorly with reality.

The Worldwide Governance Indicators are unique in that they recognize and explicitly acknowledge these uncertainties. As discussed elsewhere in this booklet the estimates of the six dimensions of governance are accompanied by margins of error that indicate their degree of precision. Virtually no other governance datasets report margins of error. But the absence of transparently reported uncertainty is not evidence of accuracy. Because all efforts to measure governance involve imprecision, caution should be used when making comparisons across countries and over time.

Why should we bother measuring governance at all, since many countries with weak governance have also had fast growth?

Skeptics of the governance and anti-corruption agenda are quick to point to countries such as Bangladesh that score poorly on most cross-country assessments of corruption, yet have managed to turn in impressive growth performance over the past decade. But these exceptions do not negate the strong empirical finding that in the medium to long run governance matters for growth. In fact, most rich countries also have good governance, as measured here. Most observers agree that this is so because good governance made it possible for countries to grow rich, rather than the other way around. Sudden wealth does not necessarily lead to better governance, as the disappointing performance of many countries experiencing natural resource booms has shown. Of course, these are not iron laws, and governance is not the only thing that matters for development, but a rich body of evidence now points to a central role for governance in the development process.

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**Steven C. Radelet,
Center for Global Development,
Washington, DC**

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**John Githongo,
ex-Permanent Secretary, Governance &
Ethics, Office of the President of Kenya**

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Chief Economics Commentator,
Financial Times

“The World Bank’s Governance Indicators, transparently constructed and available to everyone, are invaluable for policy makers, researchers, and businesspeople around the globe. They are critical for monitoring governance and the quality of state action and growth, making it more difficult for governments to ignore failures, and easier for reformers to persuasively articulate the need for change.”

Andrei Illarionov,
former Economic Advisor to the
President of the Russian Federation,
and currently President of the
Institute of Economic Analysis

