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World Bank Researchers Release Worldwide Governance Indicators 1996-2007

WASHINGTON, June 24, 2008— Researchers at the World Bank today launched the annual update of the dataset **Governance Matters, 2008: Worldwide Governance Indicators 1996-2007**. In this new study, the Worldwide Governance Indicators (WGI) show a considerable number of countries making progress in improving governance and fighting corruption, suggesting that such progress *can* take place in the short-term.

“The hopeful news is that many countries around the world, including in Africa, show that it is possible to make rapid progress in governance, proving the Afro-pessimists wrong”, said **Daniel Kaufmann, co-author of the report and Director of Governance at the World Bank Institute**, while acknowledging that the data also shows large variation in performance across countries, even within each continent.

“Progress reflects reforms in those countries where political leaders, policymakers, civil society and the private sector view good governance and corruption control as crucial for sustained and shared growth.”

As consensus around the importance of good governance for development and aid effectiveness has grown, so too has the consensus around measuring and monitoring governance performance. Measuring governance is a complex challenge, but the WGI project shows how this challenge can be met.

The WGI synthesize the views and reports of diverse informed sources on governance, defined by the WGI authors 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:

- **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.

- **Political Stability and Absence of Violence:** the likelihood that the government will be destabilized by unconstitutional or violent means, including terrorism.
- **Government Effectiveness:** the quality of public services, the capacity of the civil service and its independence from political pressures; the quality of policy formulation
- **Regulatory Quality:** the ability of the government to provide sound policies and regulations that enable and promote private sector development
- **Rule of Law:** the extent to which agents have confidence in and abide by the rules of society, including the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.
- **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

*"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."*

This year's study is the seventh update of the WGI, a decade-long effort by the researchers to build and update the most comprehensive cross-country set of governance indicators currently available. The newly released set of the six updated aggregate indicators, as well as data from the underlying sources, are at www.govindicators.org. The indicators cover 212 countries and territories, drawing on 35 different data sources to capture the views of tens of thousands of survey respondents worldwide, as well as thousands of experts in the private, NGO, and public sectors. The WGI are used by policymakers and civil society groups worldwide as a tool to assess governance challenges and monitor reforms, and by scholars researching the causes and consequences of good governance.

Better governance helps in the fight against poverty and improves living standards. Research over the past decade shows that improved governance raises development, and not the other way around. When governance is improved by one standard deviation, infant mortality declines by two-thirds and incomes rise about three-fold in the long run. Such an improvement in governance is within reach, since it is just a fraction of the difference between the worst and best performers. For example, in the dimension of Rule of Law, one standard deviation is all that separates the very low ratings of Somalia or Afghanistan from countries such as Kenya and Bolivia; or what separates these countries from countries such as Ghana or Egypt; or in turn what separates Ghana or Egypt from Portugal or Estonia; or what separates these from the best performers such as Denmark or Switzerland.

Good governance has also been found to significantly enhance the effectiveness of development assistance in general, and of World Bank-funded projects in particular.

Where there is commitment to reform, improvements in governance can and do occur.

Over the past decade from 1998-2007, countries in all regions have shown substantial improvements in governance, even if at times starting from a very low level. Examples include Ghana, Indonesia, Liberia and Peru in Voice and Accountability; Rwanda, Algeria and Angola in Political Stability and Absence of Violence/Terrorism; Afghanistan, Serbia and Ethiopia in Government Effectiveness; Georgia and the Democratic Republic of Congo in Regulatory Quality; Tajikistan in Rule of Law; and Liberia and Serbia in Control of Corruption.

On average the quality of governance around the world has not improved much over the past decade, despite some of the individual country improvements noted above. Coinciding with countries that have done well, a similar number have experienced deteriorations in several governance dimensions, including Zimbabwe, Cote D'Ivoire, Belarus, Eritrea and Venezuela. In many other countries, no significant change in either direction is yet apparent in recent years.

Good governance can be found at all income levels, with some emerging economies matching the performance of rich countries on key dimensions of governance. Over a dozen emerging countries, including Slovenia, Chile, Botswana, Estonia, Uruguay, Czech Republic, Hungary, Latvia, Lithuania, Mauritius, and Costa Rica score higher on key dimensions of governance than industrialized countries such as Greece or Italy. And in many cases these differences are statistically significant.

Even over shorter periods of time, such as 2002-2007 sharp improvements in governance are possible, as are sharp reversals. Examples include strong improvements in Voice and Accountability in countries such as Ukraine and Haiti; improvements in Political Stability and Absence of Violence/Terrorism in Argentina; and improvements in Control of Corruption in Georgia and Tanzania.

*"Efforts to measure governance, such as the WGI, among others, are useful in prompting public discussion of governance challenges and successes" said **Aart Kraay, coauthor of the WGI and lead economist in the Development Research Group of the World Bank.** "But at the same time, discussions of governance based on empirical measures need to be realistic about the limits of existing data. In this respect it is important that users take seriously the margins of error reported in the WGI, which reflect the inherent difficulties in measuring governance using any kind of data."*

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The full "Governance Matters VII" paper, the synthesis of the main findings, and the new WGI data update are available at: <http://www.govindicators.org>.

The WGI do not reflect the official views of the World Bank, its Executive Directors, or the countries they represent. The WGI are not used by the World Bank Group to allocate resources.