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Governance Matters 2009: Release of Worldwide Governance Indicators 1996-2008

WASHINGTON, June 29, 2009 — While this year's update of the research dataset **Worldwide Governance Indicators (WGI) 1996-2008** shows many countries making progress in governance and anti-corruption over the past decade, it also reveals that many countries around the world failed to make such improvements.

The eighth release of the WGI, one of the most comprehensive cross-country sets of governance indicators currently available, highlights the serious challenges that remain for rich and poor countries alike, and draws attention to the well-established link between better governance and improved development results.

"The good news is that some countries are recognizing and responding to governance challenges, and are showing strong improvements that reflect concerted efforts by political leaders, policymakers, civil society, and the private sector," said **Aart Kraay, co-author of the report and Lead Economist in the Development Research Group of the World Bank.**

At the same time, other countries have stagnated, and worryingly, still others have regressed in key dimensions of governance. In fact, the updated WGI show that current governance standards have plenty of room for improvement in many industrialized countries and emerging economies.

"We should not presume that rich and powerful countries have the very best levels of governance and corruption control; the financial crisis reminds us that the quality of governance in G8 countries is not always exemplary," said **Daniel Kaufmann, co-author of the report and a Senior Fellow at the Brookings Institution.**

The WGI is a research project initiated by Kaufmann and Kraay in the late 1990s, and is now coauthored with **Massimo Mastruzzi of the World Bank Institute.** The authors define governance as the traditions and institutions by which authority in a country is exercised. This includes how 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 dimensions of governance, including:

- **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, association, and the press.
- **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 property rights, the police, and the courts, as well as the risk of crime.
- **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 elite "capture" of the state

The indicators cover 212 countries and territories, drawing together hundreds of variables from 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.

“Challenging the naysayers, the Worldwide Governance Indicators show that governance and corruption can be robustly measured and the lessons drawn can in fact be put to subsequent use by reformist governments, the development community, civil society and the media” said **John Githongo, formerly Permanent Secretary, Governance & Ethics, Office of the President of Kenya.**

Better governance helps in the fight against poverty and improves living standards. Research by many scholars, including the WGI authors, shows that improved governance strengthens 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 advances in governance are readily achievable, since these differences constitute 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 Afghanistan or Zimbabwe, from the still-low ratings of countries such as Nigeria or Paraguay; or the moderate ratings of Turkey or Ghana from the stronger ratings of Portugal or Chile; or what separates these from some of the best performers such as Norway or New Zealand.

Measuring governance is difficult, and all measures of governance are necessarily imprecise. A unique feature of the WGI is its transparent recognition of this imprecision, in the form of explicitly reported margins of error for all country scores that need to be considered when comparing countries.

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

Over the past decade from 1998-2008, countries in all regions have shown substantial improvements in governance, even if at times starting from a very low level. Examples include Ghana, Niger, and Peru in Voice and Accountability; Algeria, Angola and Sierra Leone in Political Stability and Absence of Violence/Terrorism; China, Colombia, and Rwanda in Government Effectiveness; the Democratic Republic of Congo, Georgia and Libya in Regulatory Quality; Latvia, Liberia and Rwanda in Rule of Law; and Indonesia, 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.

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The full “Governance Matters VIII” research paper, a synthesis of the main findings, and the new WGI data update are available at: <http://www.govindicators.org> after expiration of the embargo.

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