

World Bank Releases Large New Governance Data Source

SINGAPORE, September 15, 2006 - The new Governance Matters, 2006: Worldwide Governance Indicators launched today demonstrate that governance **can** be measured, that poor governance is not an exclusive challenge of the developing world, and that reforming countries can make significant improvements in governance and in curbing corruption in relatively short periods of even less than a decade.

For example, the report refutes "Afro-pessimists," showing that reforming countries such as Tanzania, Ghana, Botswana, Nigeria, Mozambique, and Senegal have made progress in one or more dimensions of governance over the past decade.

And countries that implement governance reforms can expect a huge development dividend, with an improvement in governance raising per capita incomes about three-fold in the long run.

The indicators also show that over a dozen non-OECD countries, including for example, Slovenia, Chile, Botswana, and Estonia, score higher in rule of law and in control of corruption than some industrialized countries, for example, Greece and Italy. Some emerging economies exhibit this kind of improvement in other dimensions of governance as well.

Strong reformers over the past decade include countries as diverse as Peru, Ghana, Tanzania, Mexico, Bosnia, Serbia, and Croatia with strong improvements in Voice and Accountability, Bulgaria, Slovak Republic and Romania in Government Effectiveness; Armenia, Hungary, Slovak Republic, and Lithuania in Regulatory Quality, and Georgia, Latvia and South Korea on Control of Corruption.

"Good governance is becoming widely recognized by government reformers, citizens, domestic enterprises, aid donors and foreign investors around the world as crucial to improved living standards," says Daniel Kaufmann, Director of Global Governance at the World Bank Institute and co-author of the report. "Governments in a number of countries are implementing transparency reforms, such as in procurement, asset disclosure, and in financial management, and some are also giving more voice to their citizens and the media. These reforms can translate into improved governance ratings, and into improved aid effectiveness and poverty alleviation," he adds.

The indicators for well over 200 countries are based on hundreds of variables and a compilation of more than 120,000 responses from citizens, experts and enterprises worldwide, distilled from 30 underlying sources.

The current release of these indicators and their data sources represents one of the largest publicly available data resource on governance in the world. These

evidence-based empirical measures help development stakeholders track the quality of institutions, support capacity building, improve governance, and address corruption. The worldwide governance indicators measure the following six components of good governance:

1. **Voice and Accountability** - measuring political, civil and human rights
2. **Political Stability and Absence of Violence** - measuring the likelihood of violent threats to, or changes in, government, including terrorism
3. **Government Effectiveness** - measuring the competence of the bureaucracy and the quality of public service delivery
4. **Regulatory Quality** - measuring the incidence of market-unfriendly policies
5. **Rule of Law** - measuring the quality of contract enforcement, the police, and the courts, including judiciary independence, and the incidence of crime
6. **Control of Corruption** - measuring the abuse of public power for private gain, including petty and grand corruption (and state capture by elites)

"For policymakers and reformers seeking to bring rigor and metrics to the important subject of governance, the World Bank Governance Indicators serve as an invaluable tool allowing benchmarking in each area and measurement of progress," says **Ngozi Okonjo-Iweala**, former Minister of Finance and of Foreign Affairs of Nigeria.

The indicators provide rich information on the links between institutional quality and socioeconomic outcomes in countries, and on worldwide and regional trends in governance. In particular:

Improved governance leads to higher standards of living and poverty alleviation. Research on governance shows that improved standards of living are largely the result of improved governance, and not the other way around. Improving governance in poor countries, such as in Sub-Saharan Africa, for example, would yield significant results. Good governance delivers a large "development dividend" in the form of higher standards of living and poverty alleviation. The indicators show 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 an improvement in governance constitutes just a fraction of the difference between the worst and best performers, it is within reach. For example, on the dimension of rule of law, one standard deviation is all that separates Somalia from Nigeria, Nigeria from El Salvador, El Salvador from Italy or Botswana, and Botswana from the United Kingdom. On control of corruption, to take another example, one standard deviation divides Equatorial Guinea from

Tanzania, Tanzania from Lithuania, Lithuania from Chile, and Chile from Finland. On voice and accountability, one standard deviation separates North Korea or Myanmar from Kazakhstan or Chad, Chad from Zambia or Singapore, Singapore from the Republic of Korea or Botswana, and Botswana from Denmark.

Where there is resolute leadership and reform, improved governance outcomes can take place relatively quickly. While not the norm, the governance indicators show that a number of countries have made significant progress even in the very brief period since 2002, as for example in Ukraine, Serbia, and Liberia in Voice and Accountability; Georgia in Political Stability and Control of Corruption; and the Slovak Republic on Government Effectiveness.

Global trends in governance are sobering. On average the quality of governance around the world has not improved much. In spite of improvements in a number of countries, there has been a similar number of countries where deterioration has taken place, and many where no significant change is yet apparent.

*"Measuring governance is difficult, and no indicator is 100% reliable in the sense of giving completely accurate information," says **Aart Kraay**, Lead Economist in the World Bank's Research Group, and co-author with Kaufmann. "A key feature of our governance indicators is that we make every effort to be transparent about the degree of imprecision, which is present in all other measures of governance but is rarely acknowledged. Because we aggregate information from many different data sources, our indicators are more informative than any individual data source."*

More and more organizations are using these indicators. The U.S. Millennium Challenge Corporation, for example, uses these Worldwide Governance Indicators, in combination with other data sources, to make its aid allocation decisions. Other donor governments, such as the Netherlands, also rely on the Worldwide Governance Indicators to monitor the quality of governance in aid recipient countries. Risk rating agencies as well as NGOs also use them.

Kaufmann stresses that a concerted effort by donor agencies, country leadership, civil society and the private sector is needed to help countries improve governance in the future. *"We need to learn from successes and failures, abandon initiatives that don't work, and instead we should further support reformist governments, institutions, and civil society who are striving for more transparent and accountable states"*

The full paper, the synthesis of the main findings, and the new indicators dataset itself are available at: <http://www.govindicators.org>

Or access through the general site on governance and corruption, at: <http://www.worldbank.org/wbi/governance>

Journalists are encouraged to use these urls in their reports.