

Media, Governance and Development

An Empirical Perspective

**Daniel Kaufmann and colleagues,
World Bank Institute**

www.worldbank.org/wbi/governance

Background Handout for Seminar on the International Role of the Media in Exposing Corruption and Promoting Good Governance, at the US Capitol, Wash. DC, May 2nd, 2007 – in connection with launch of ‘Media Matters’ publication

Media, Transparency, Data and Development

- **“There has never been a famine in any country that has been a democracy with a relatively free press. . . I know of no exception.”**

Amartya Sen, Nobel Laureate

- **“It is now generally recognized that better, more timely, information results in better, more efficient resource allocations.”**

Joseph Stiglitz, Nobel Laureate

- **“If you cannot measure a problem, you cannot address it.”**

Lord Kelvin

Media and Governance in Broader Context

- 1. Media is not a ‘silo’ sector – it is a business, a determinant of governance, relating to all sectors**
- 2. Independent, financially stable, media: *essential***
- 3. Freedom of the Press: *Over- or Under-Emphasized?***
- 4. Regulatory, Policy & Incentive environment**
- 5. Transparency: *towards a new era of reforms?***
- 6. Power of Data: *Tool for debate & agent of change***
- 7. Technology Revolution, and Country Adaptation**

Worldwide Governance Indicators Project:

Defining Governance Broadly

Governance consists of the traditions and institutions by which authority in a country is exercised.

This includes:

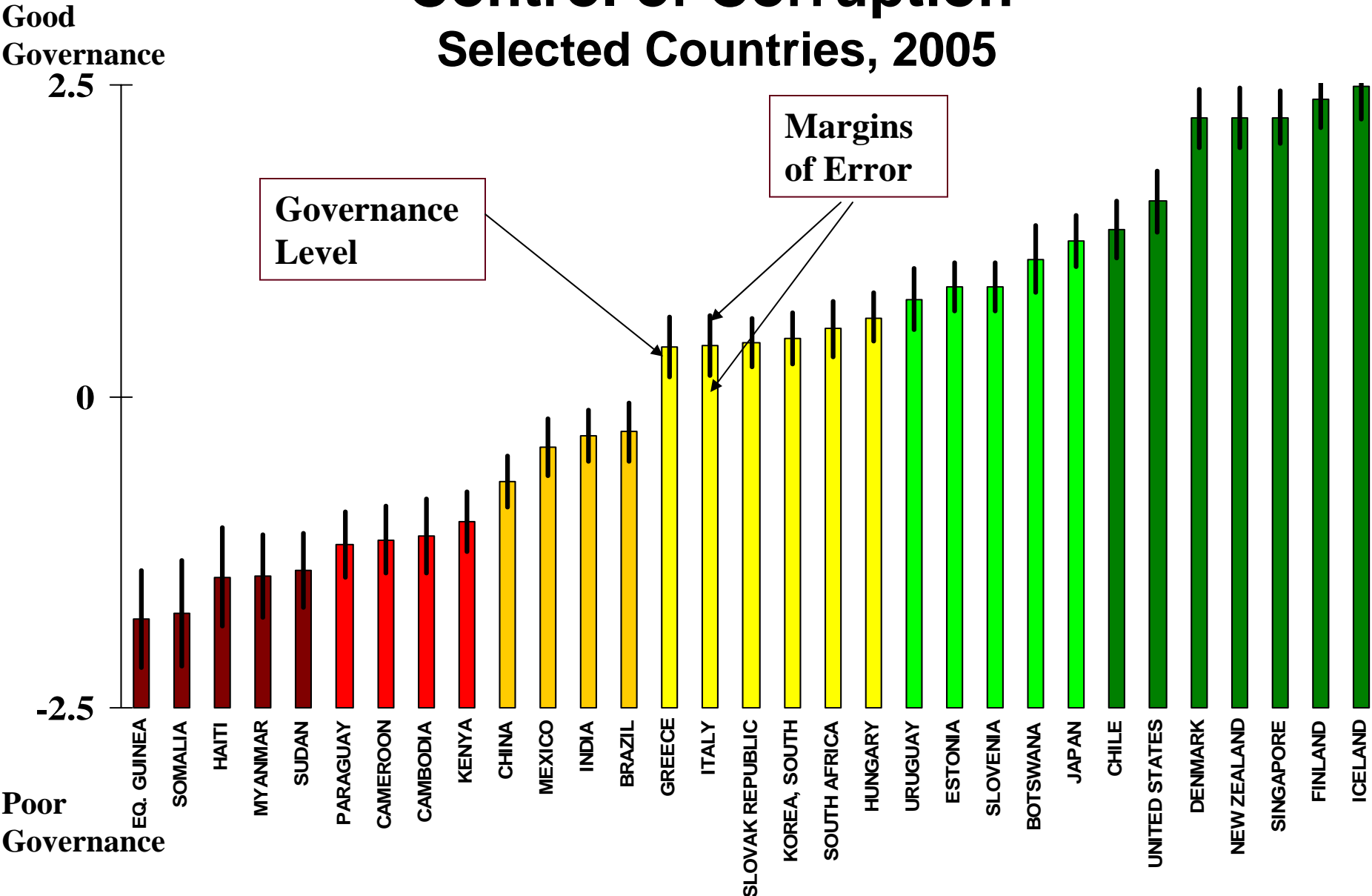
- the process by which governments are selected, monitored and replaced,*
- the capacity of the government to effectively formulate and implement sound policies, and*
- the respect of citizens and the state for the institutions that govern economic and social interactions among them.*

Worldwide Governance Indicators

- **Six aggregate governance indicators covering 213 countries over past decade**
 - **Voice and Accountability**
 - **Political Stability/Absence of Violence**
 - **Government Effectiveness**
 - **Regulatory Quality**
 - **Rule of Law**
 - **Control of Corruption**
- **Based on 31 data sources from 25 organizations, capturing views of thousands of informed stakeholders**
- **Widely used by analysts, officials, civil society, and researchers to monitor governance and study its causes and consequences**

Control of Corruption

Selected Countries, 2005

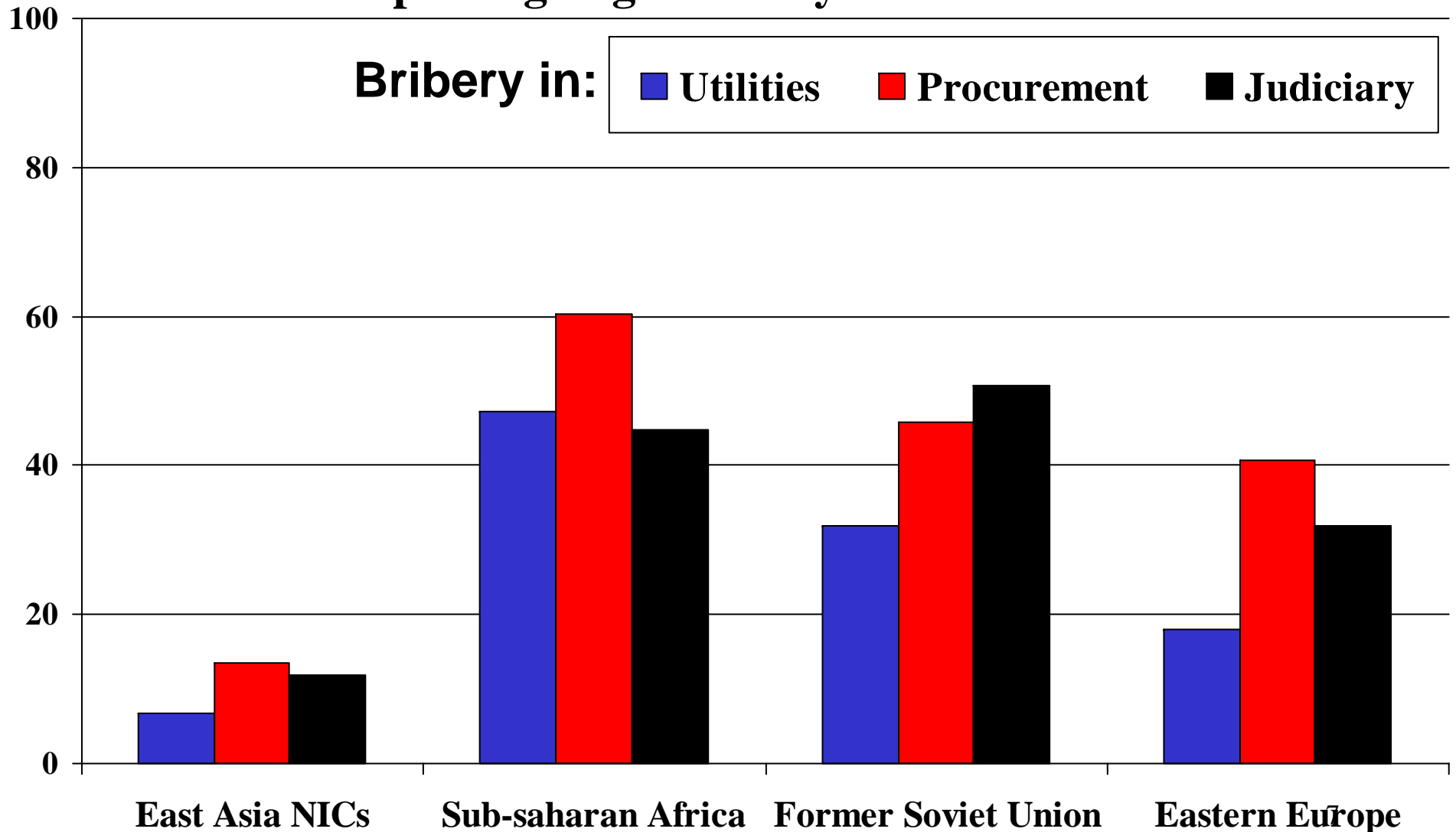


Source for data: 'Governance Matters V: Governance Indicators for 1996-2005', D. Kaufmann, A. Kraay and M. Mastruzzi, September 2006.

Note: Colors are assigned according to the following criteria: Dark Red, below 10th percentile rank among all countries in the world; Light Red between 10th and 25th; Orange, between 25th and 50th; Yellow, between 50th and 75th; Light Green between 75th and 90th; Dark Green above 90th.

Beyond Bureaucratic Corruption: Unbundling

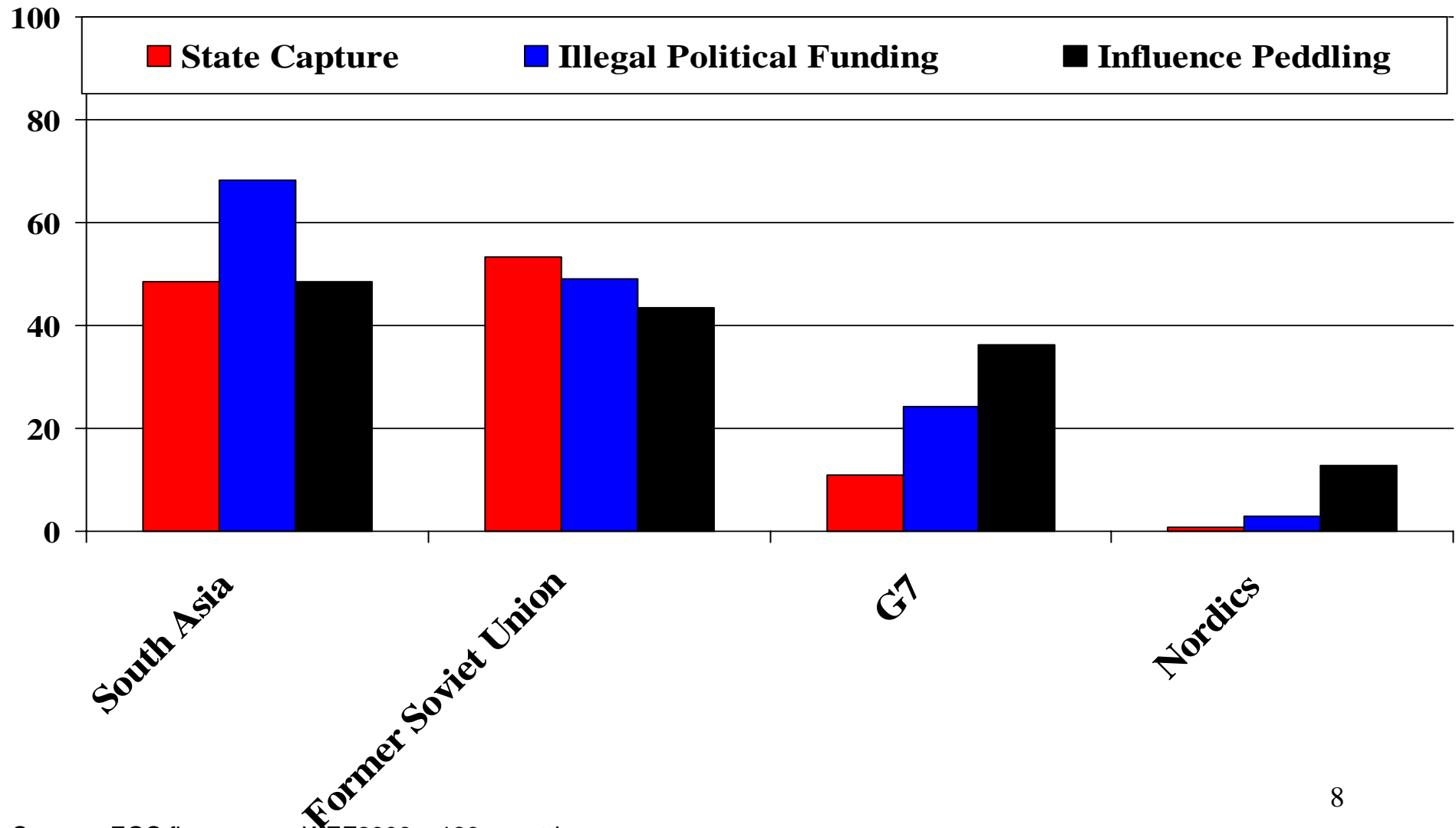
Share of Firms Reporting High Bribery



Source: EOS firm survey, WEF2006 – 126 countries.

State Capture, Undue Influence & Political Funding, *Report of Firms, 2006*

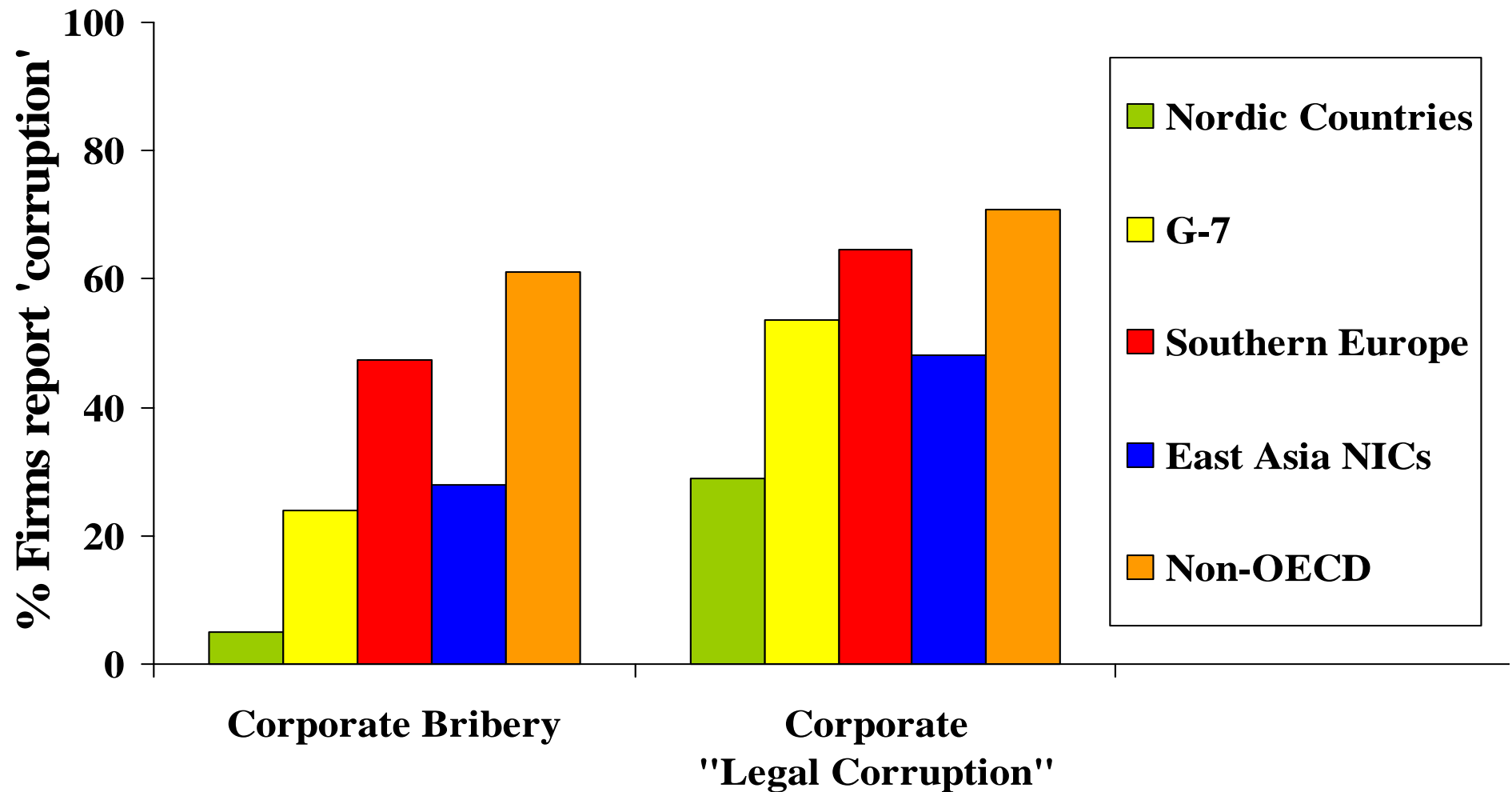
Share of Firms Report Poor Governance



Source: EOS firm survey, WEF2006 – 126 countries.

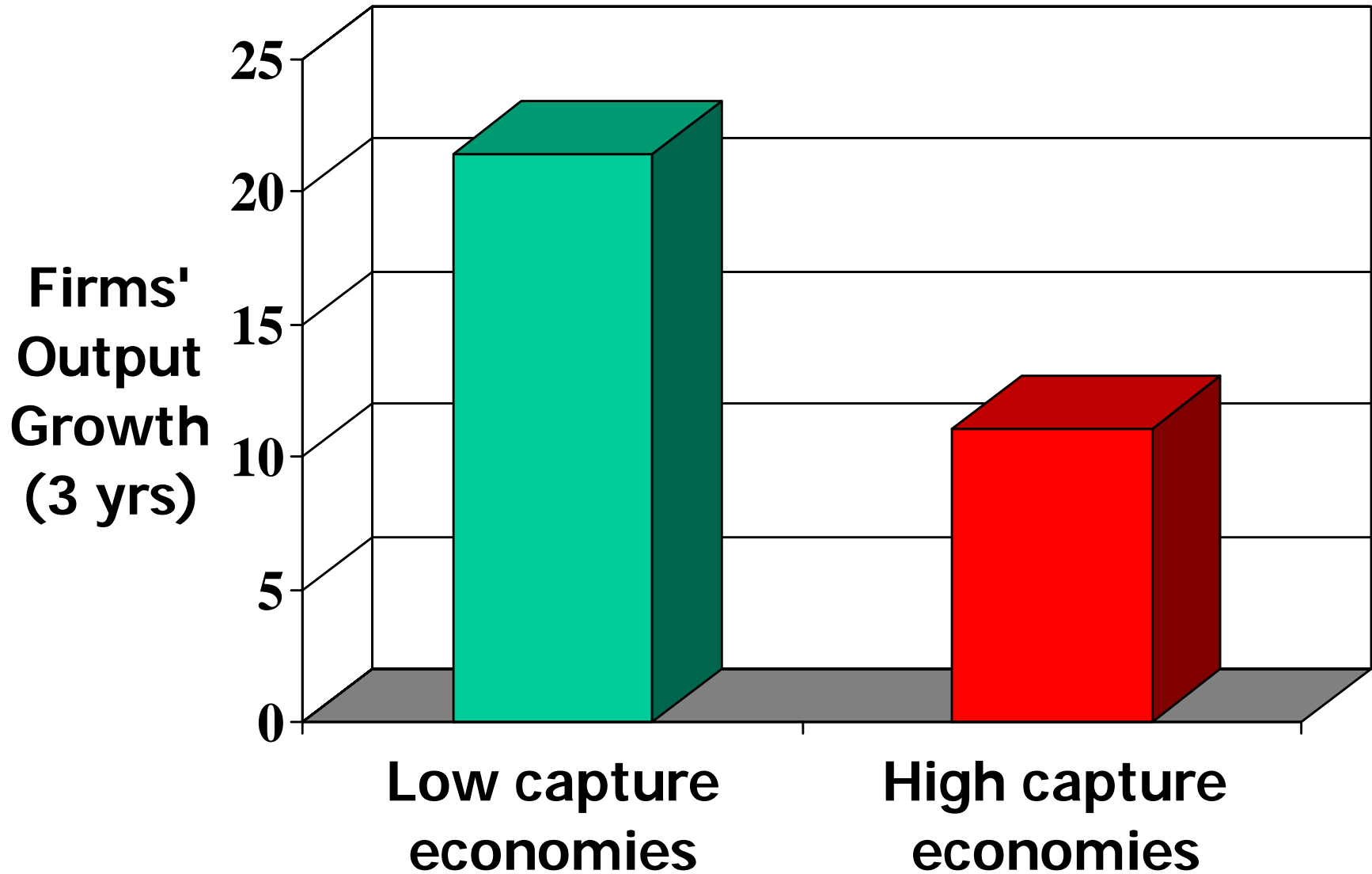
Corporate Corruption, unbundled, 2004

% Firms report corruption type (1-4)



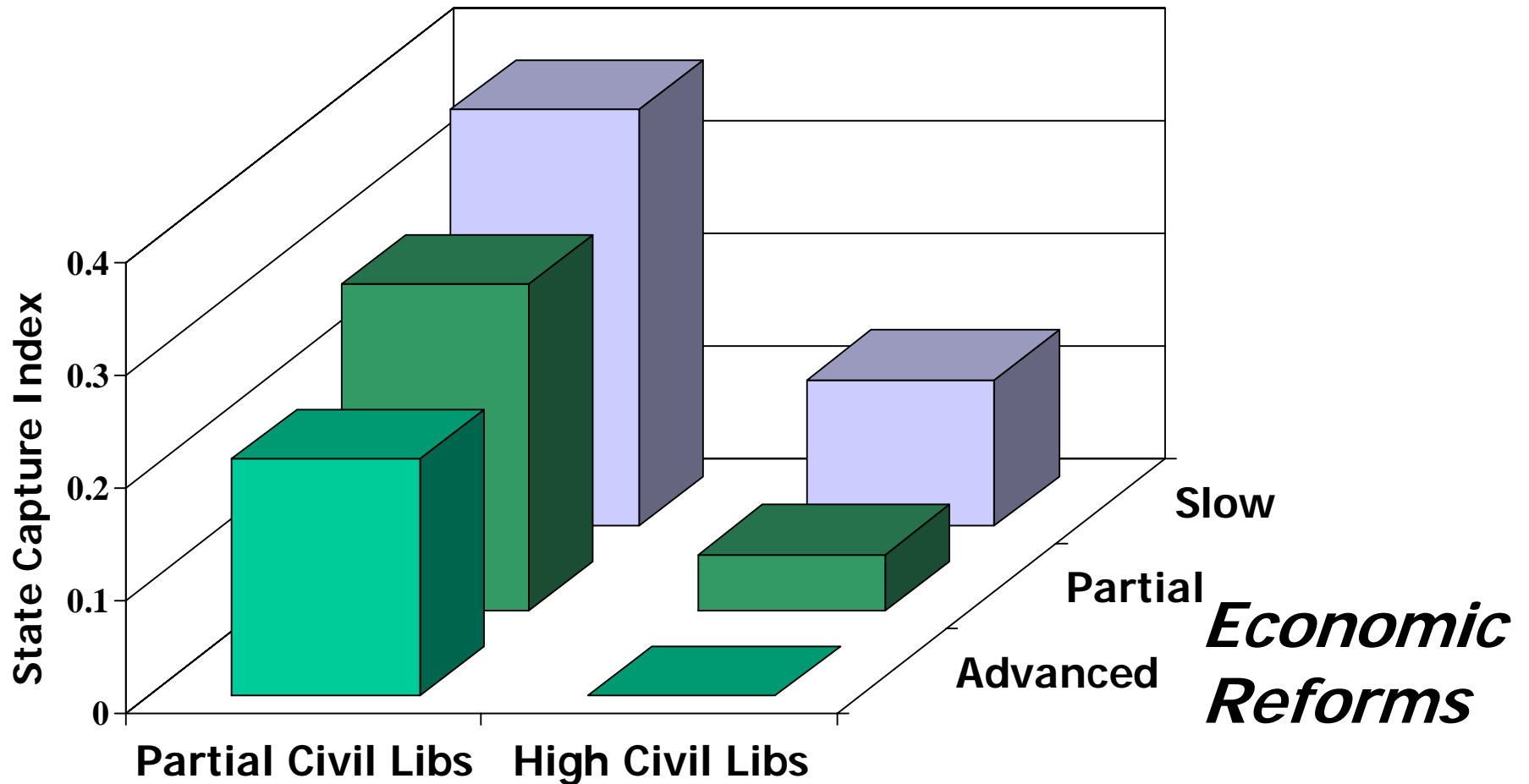
Source: Author's calculations based on EOS 2004.

Capture by Corporates Impairs Competitive Growth



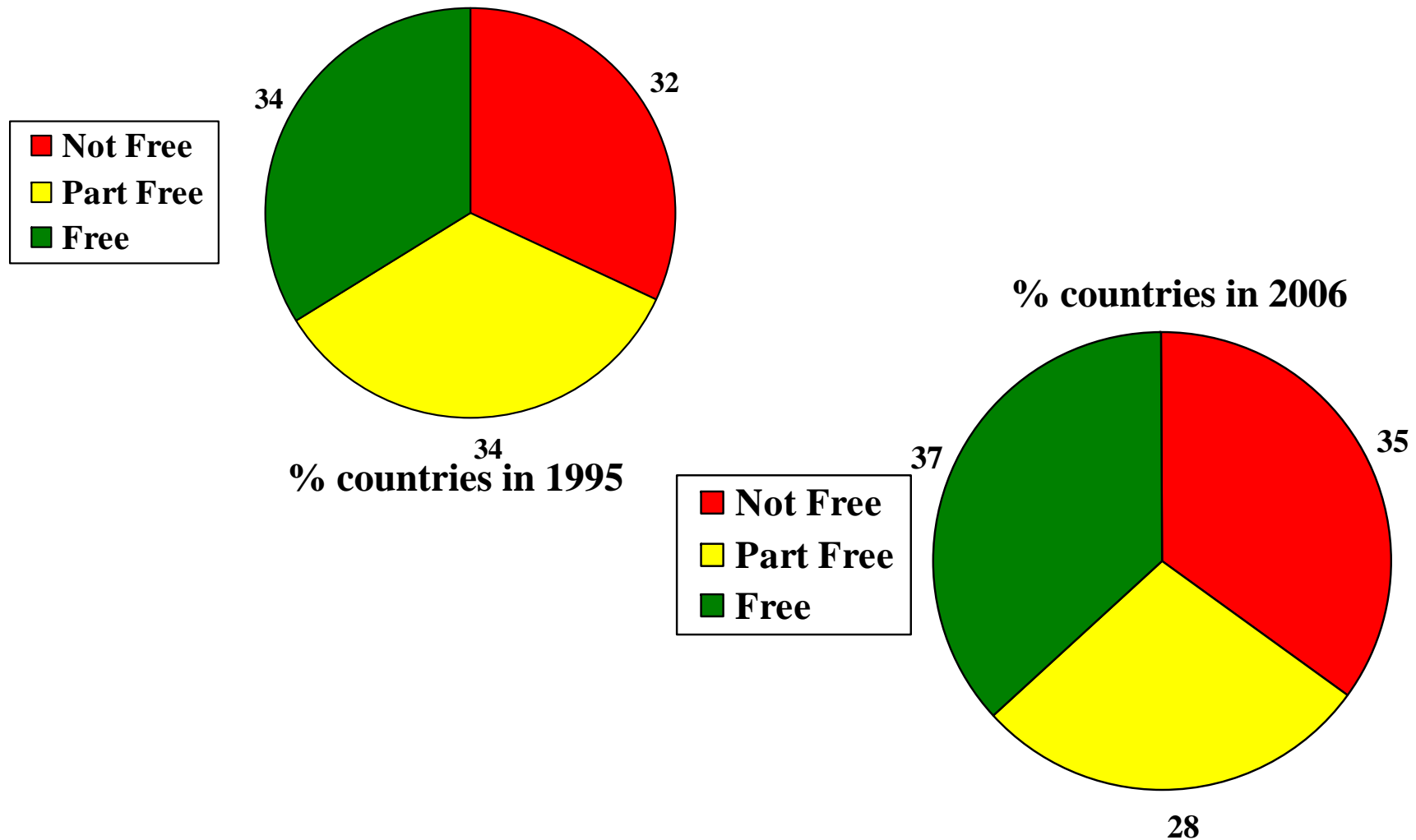
Based on survey of transition economies, 2000

Fighting Capture: Economic Reform, Political Competition & Civil Liberties Matter



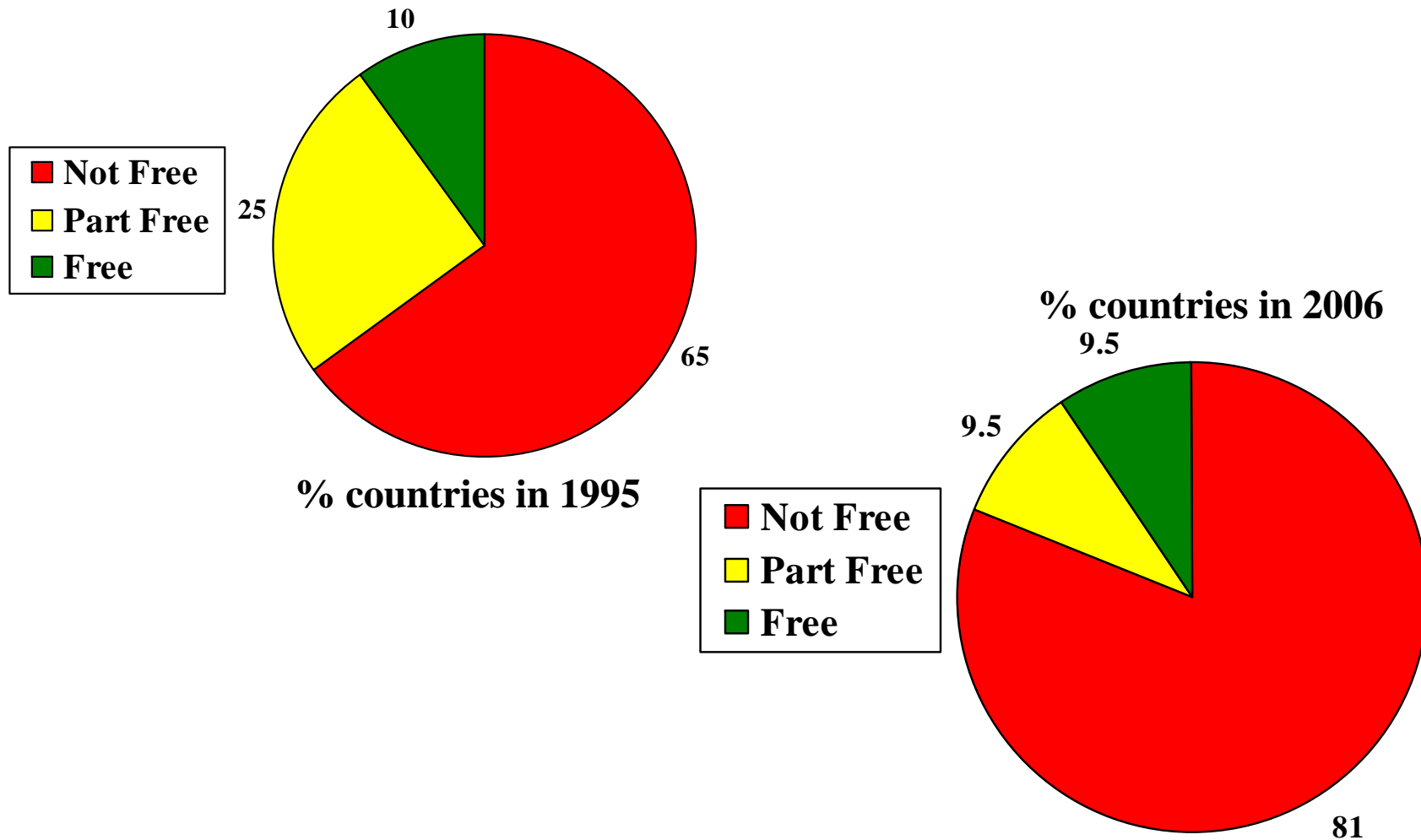
Political/Civil Liberties Reforms

Press Freedom (FRH) Worldwide, 1995 vs. 2006



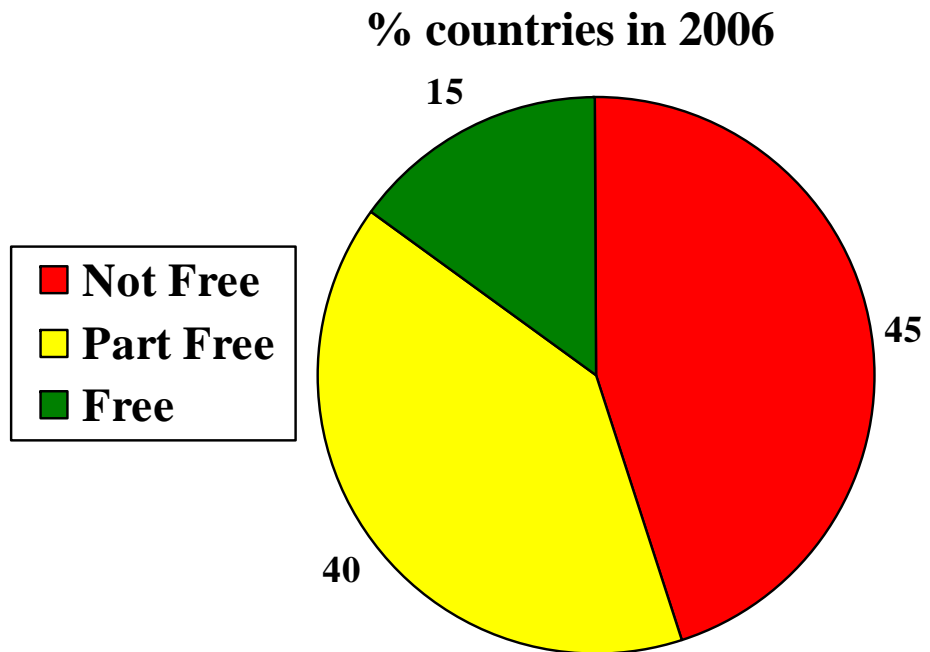
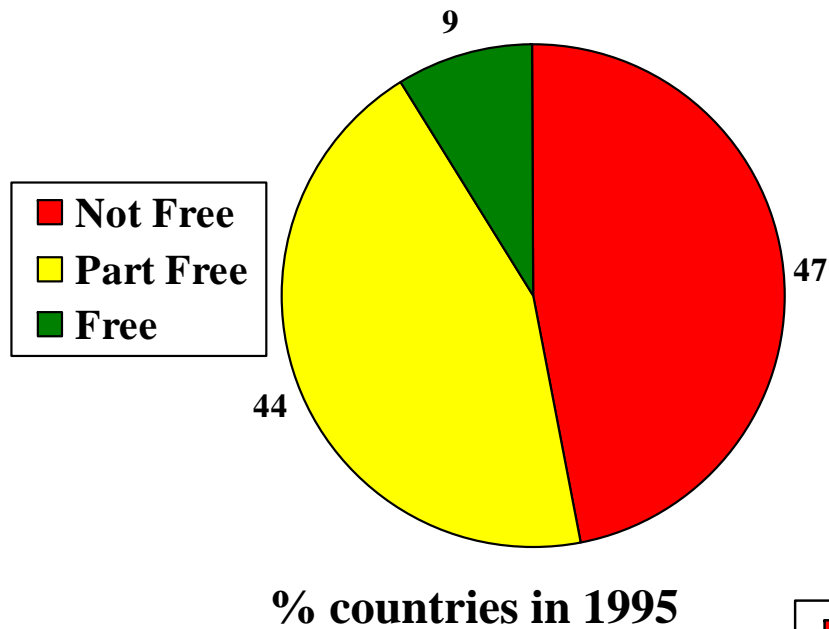
Source: 2006 Freedom House. Y axis measures percentage of countries in the region with free press (rating of 30 or below), partly free (ratings between 30 and 60) and not free (rating above 60). In 1995 there were 183 countries divided into red (58), yellow (63) and green (62). In 2006 there were 196 countries divided into red (69), yellow (54) and green (73).

Press Freedom (FRH) in MENA, 1995 vs. 2006



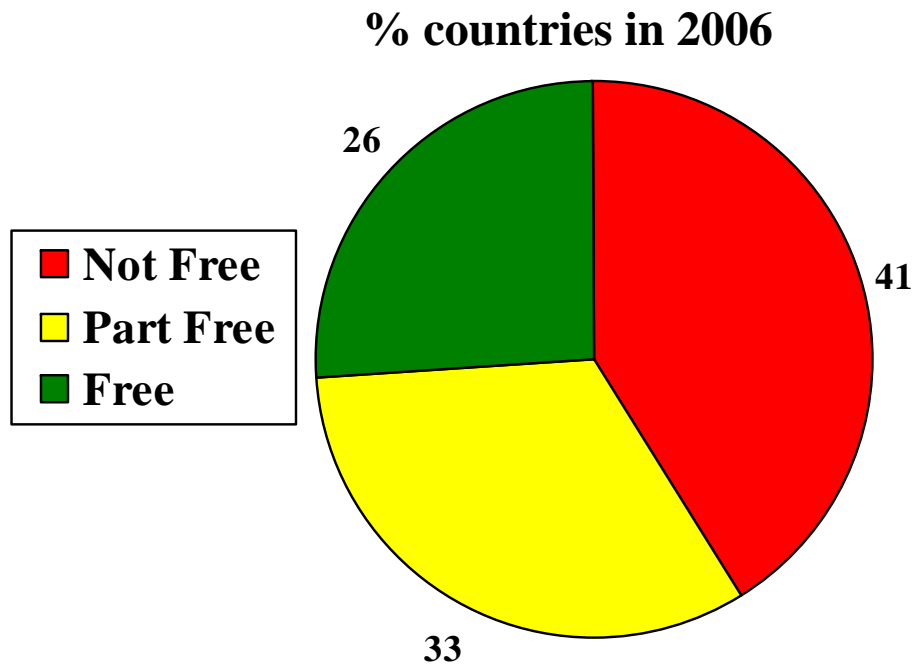
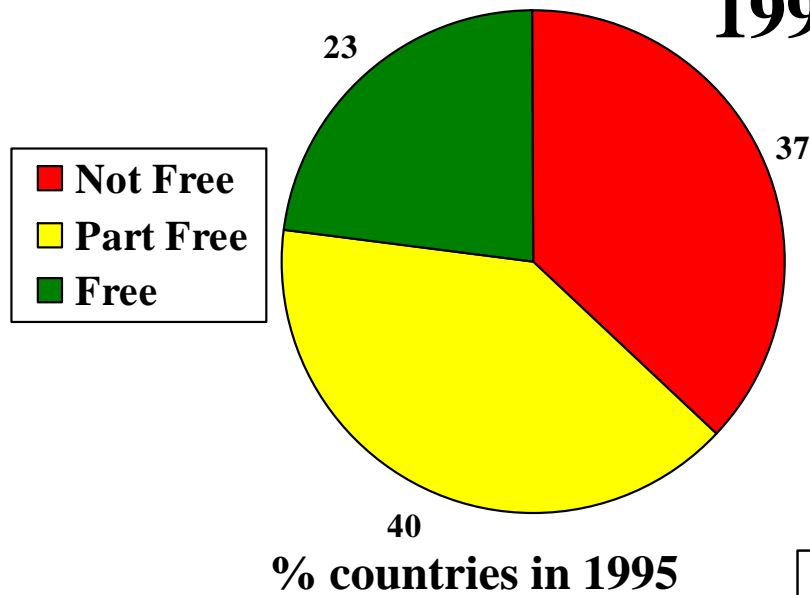
Source: 2006 Freedom House. Y axis measures percentage of countries in the region with free press (rating of 30 or below), partly free (ratings between 30 and 60) and not free (rating above 60). In 1995 there were 20 countries divided into red (13), yellow (5) and green (2). In 2006 there were 21 countries divided into red (17), yellow (2) and green (2).

Press Freedom (FRH) in Sub-Saharan Africa, 1995 vs. 2006



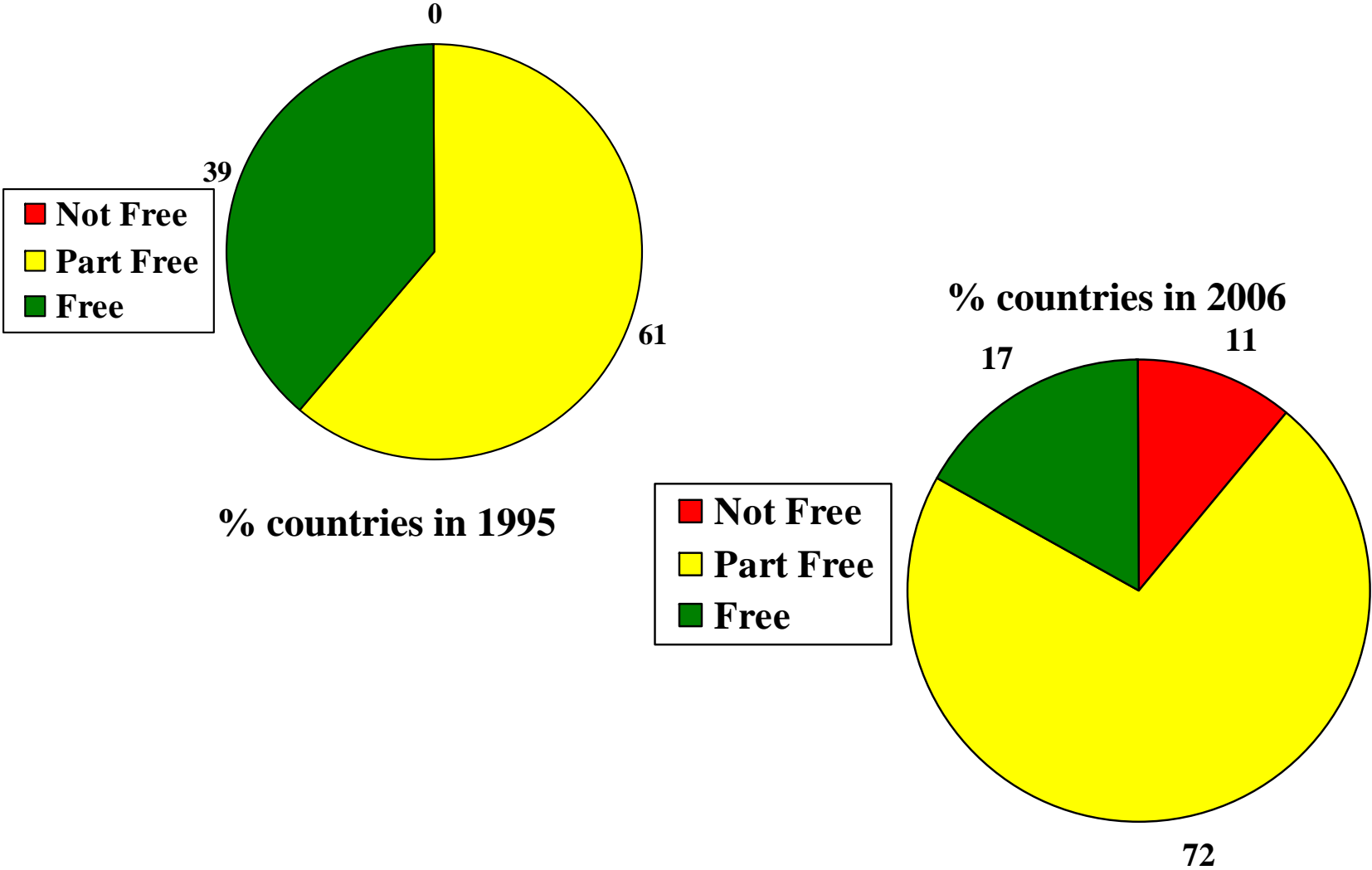
Source: 2006 Freedom House. Y axis measures percentage of countries in the region with free press (rating of 30 or below), partly free (ratings between 30 and 60) and not free (rating above 60). In 1995 there were 45 countries divided into red (21), yellow (20) and green (4). In 2006 there were 47 countries divided into red (21), yellow (19) and green (7).

Press Freedom (FRH) in Emerging Economies, 1995 vs. 2006



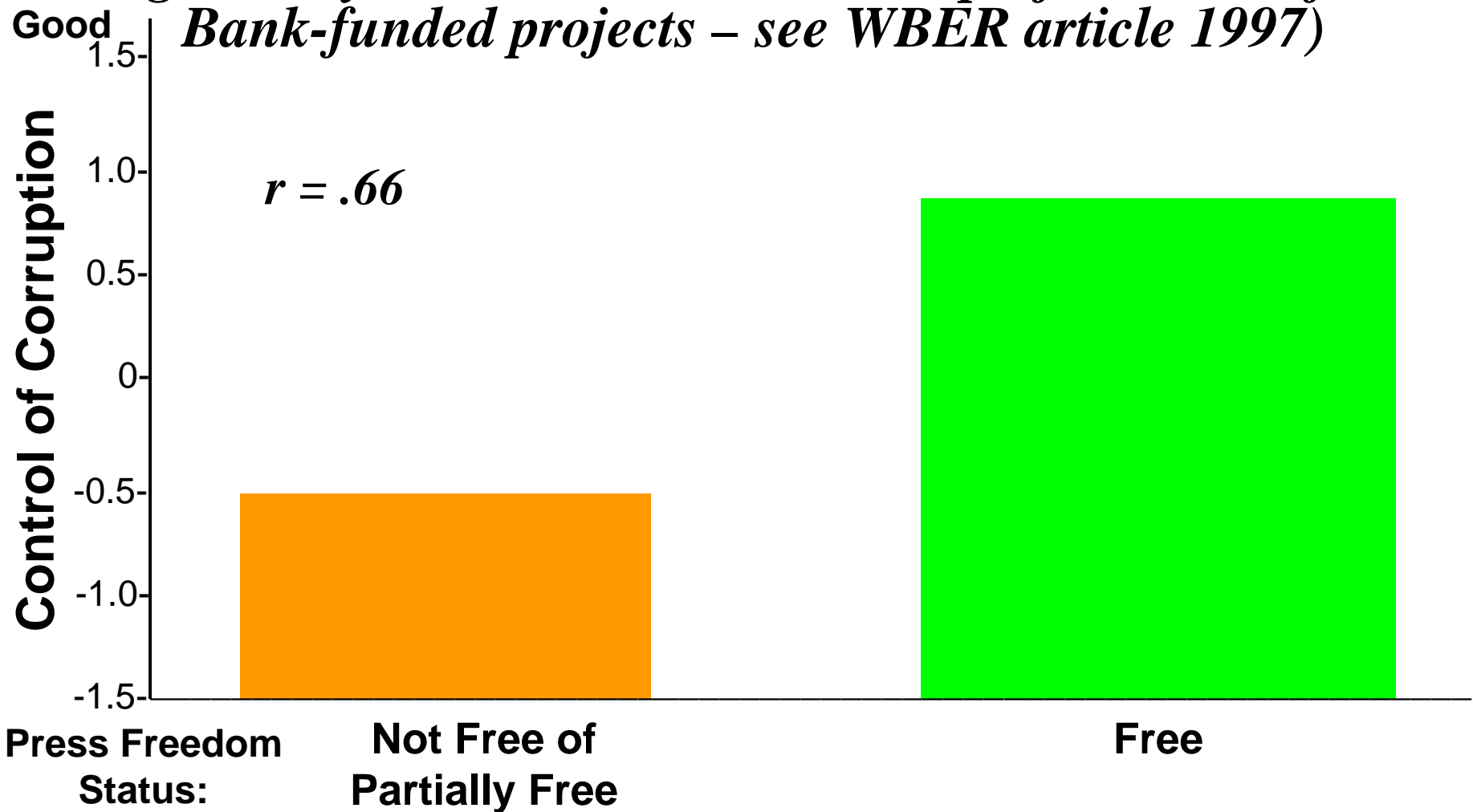
Source: 2006 Freedom House. Y axis measures percentage of countries in the region with free press (rating of 30 or below), partly free (ratings between 30 and 60) and not free (rating above 60). In 1995 there were 156 countries divided into red (57), yellow (63) and green (36). In 2006 there were 162 countries divided into red (66), yellow (53) and green (43).

Press Freedom (FRH) in Latin America, 1995 vs. 2006



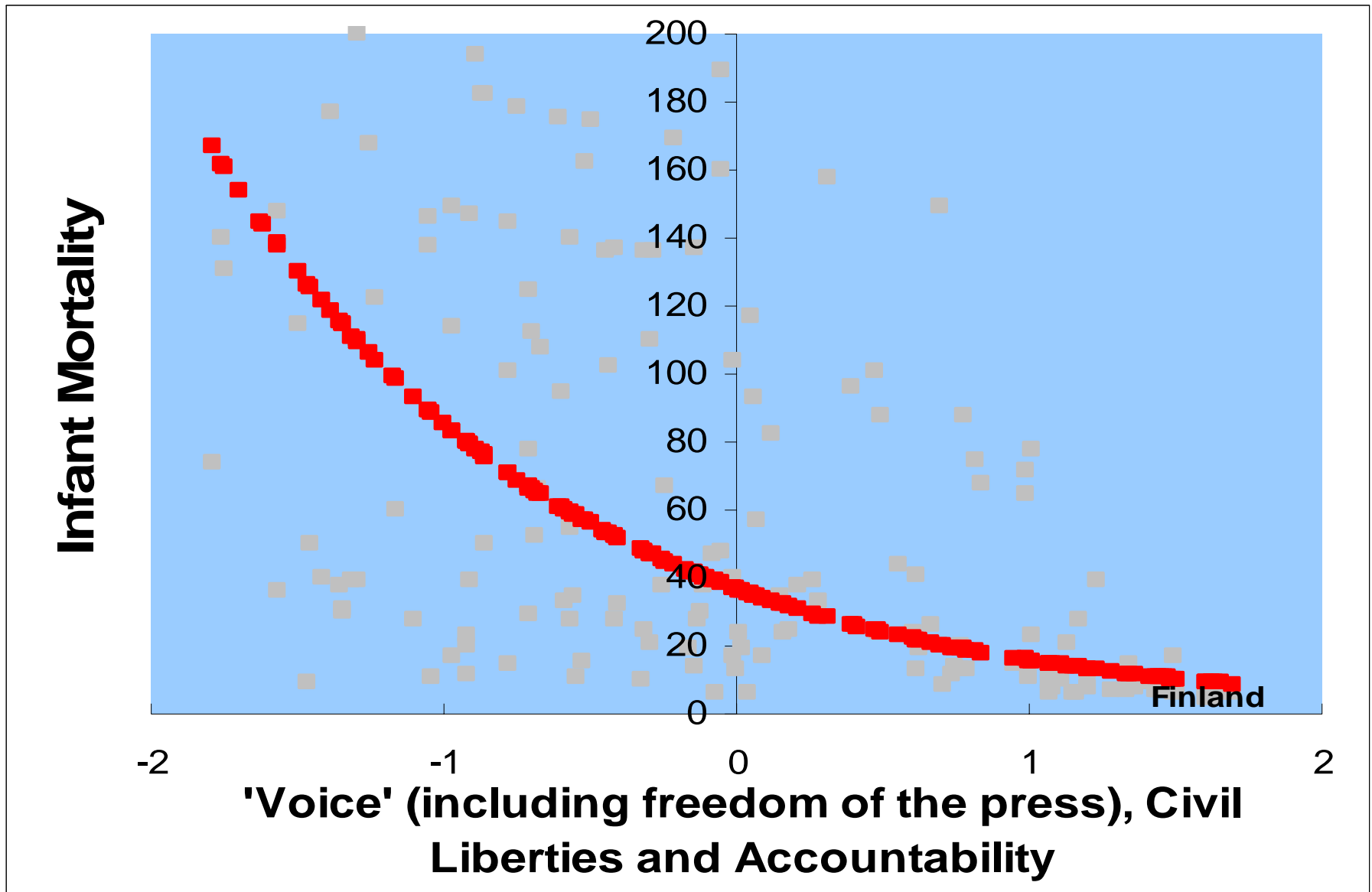
Source: 2006 Freedom House. Y axis measures percentage of countries in the region with free press (rating of 30 or below), partly free (ratings between 30 and 60) and not free (rating above 60). In 1995 there were 18 countries divided into red (0), yellow (11) and green (7). In 2006 there were 18 countries divided into red (2), yellow (13) and green (3).

Freedom of the Press is associated with better Control of Corruption (& civil liberties more generally is associated with better performance of World Bank-funded projects – see WBER article 1997)

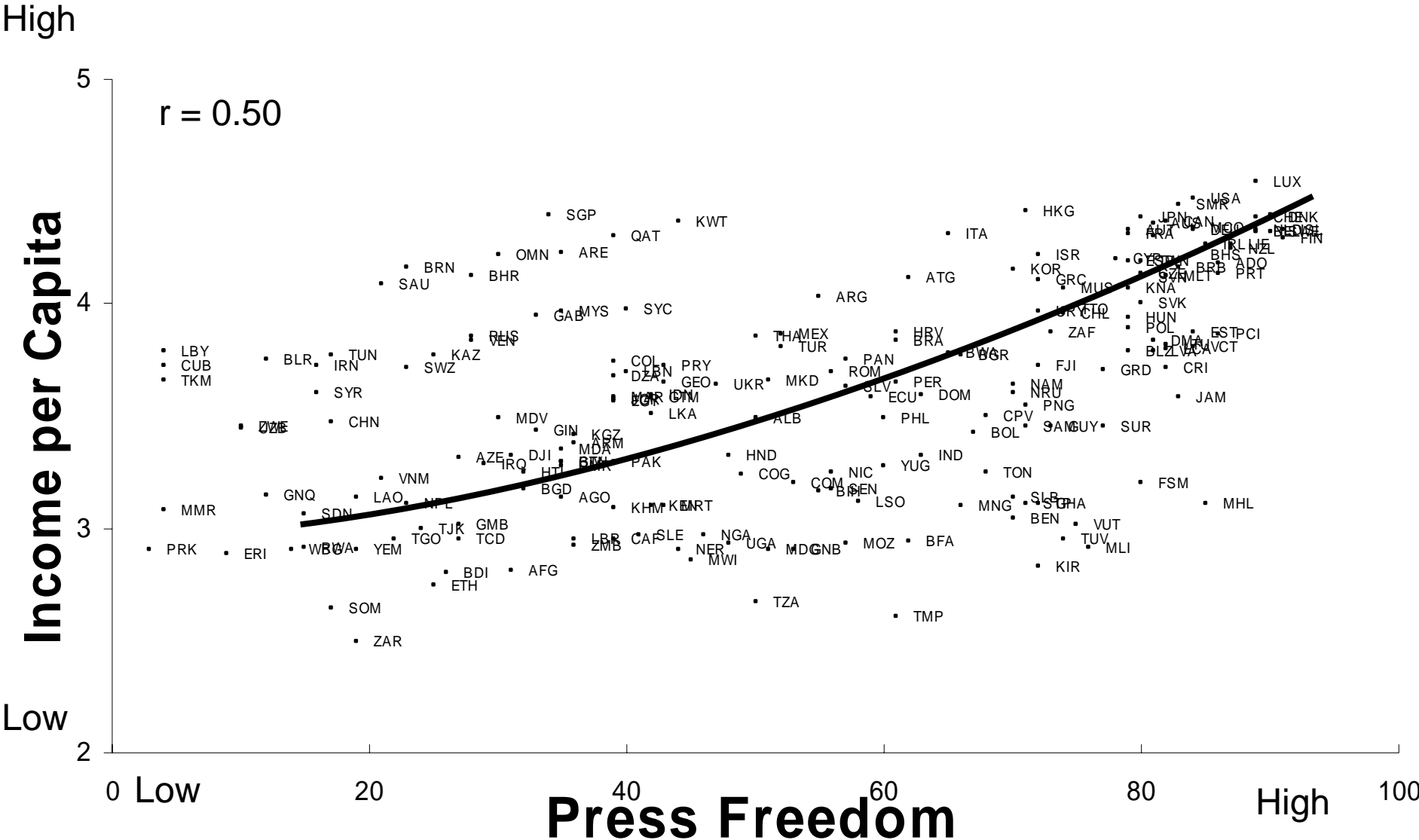


Source for control of corruption: : 'Governance Matters V: Governance Indicators for 1996-2005', D. Kaufmann, A. Kraay and M. Mastruzzi, September 2006 (<http://www.govindicators.org>). Source for Press Freedom: 2006 Freedom House's Press Freedom Report. Terciles divided according to Press Freedom ratings (190 countries total). Free: 0-30 (69); Partly Free: 31-60 (54); Not Free: 61-100 (67).

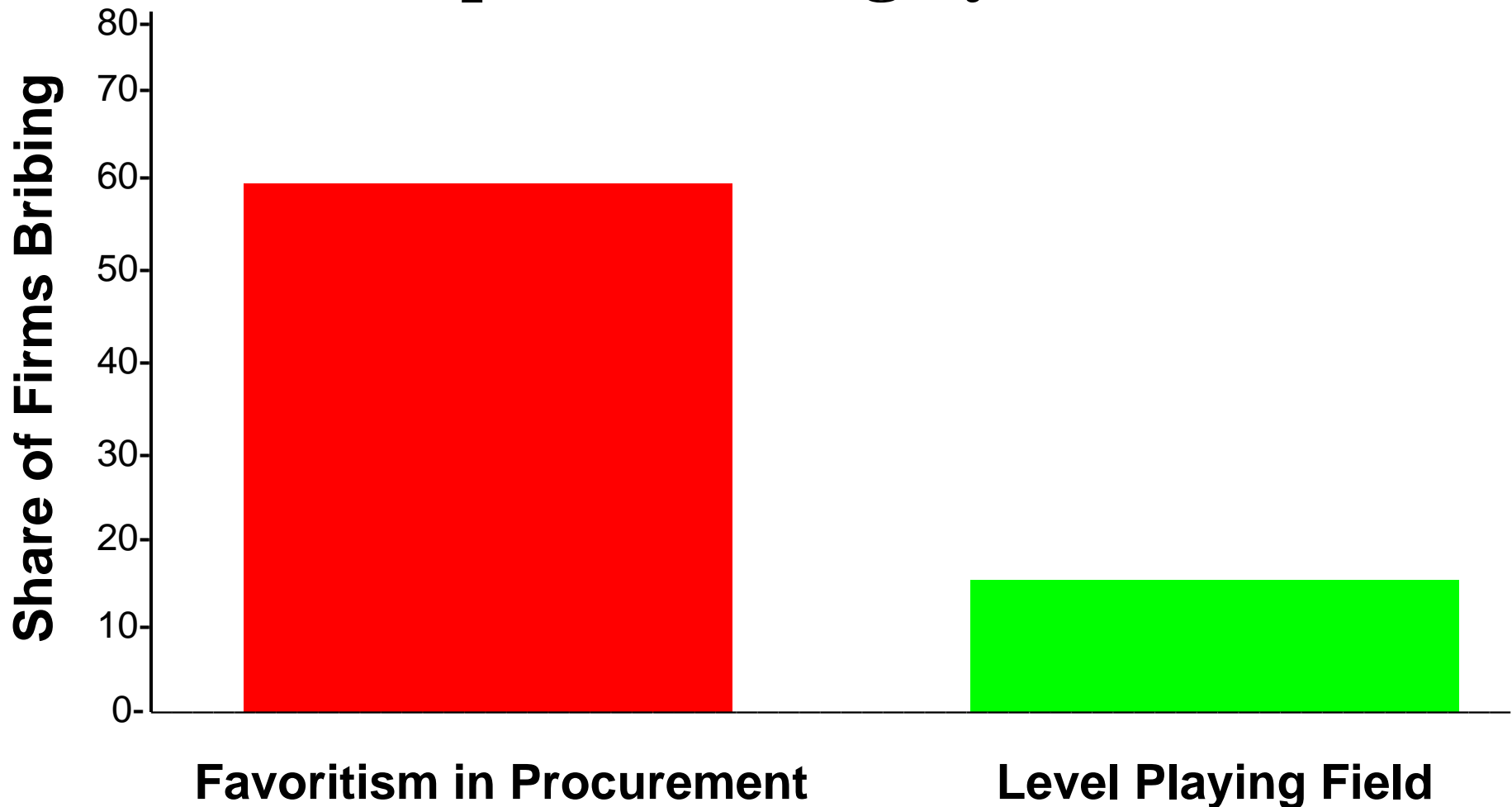
Voice & Accountability Matters for Development



Income per Capita vs. Freedom of the Press, 2005



Deficient Procurement Systems Linked to Frequent Bribing by Firms

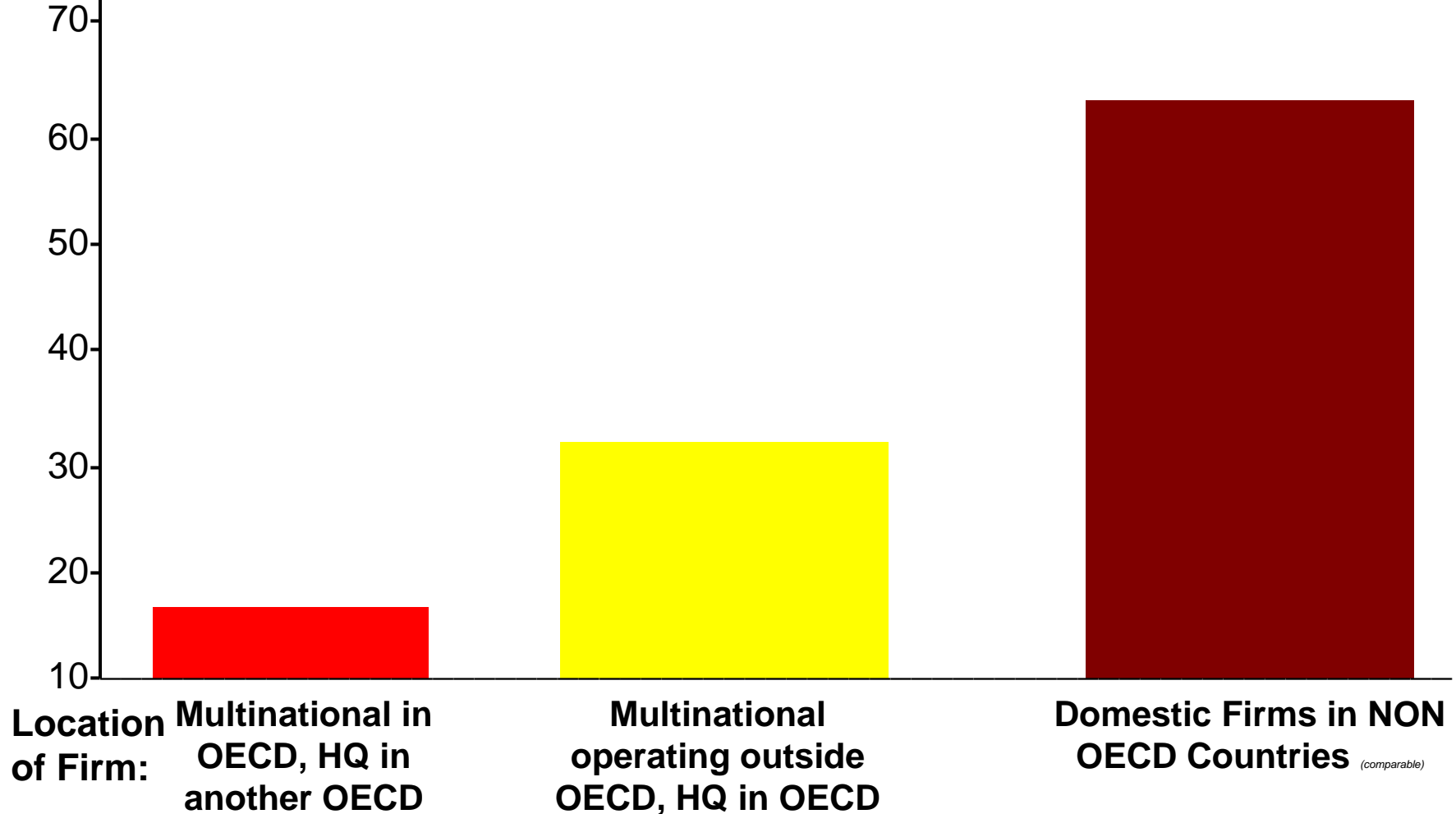


Favoritism in Public Procurement and Policies

Source: EOS2006. Questions: 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?²¹ Question: When deciding upon policies and contracts, government officials favor well connected firms / are neutral.

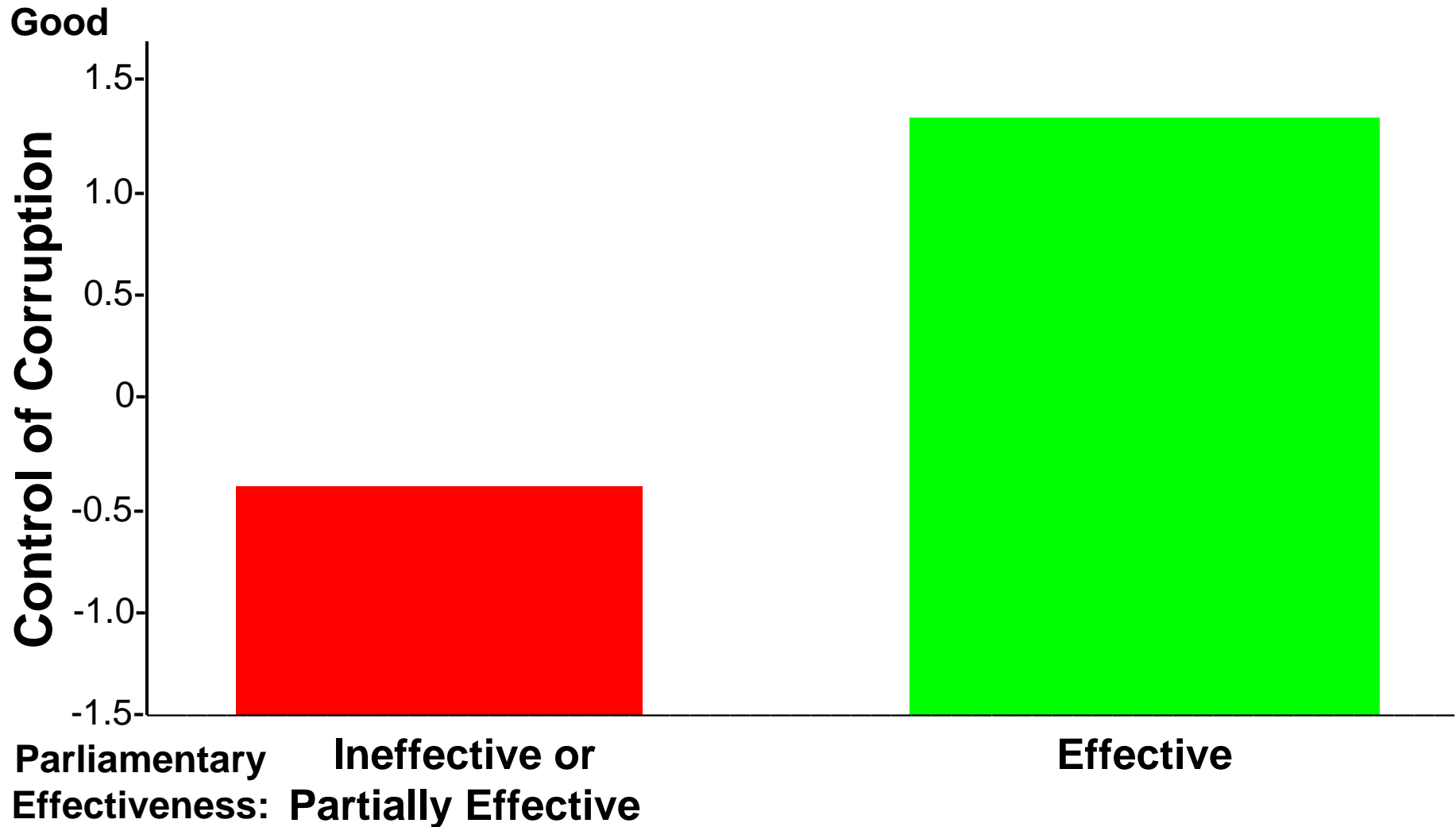
Responsibility of the Private Sector & Multinationals on Anti-Corruption

(% of Firms Reporting Procurement Bribery, 2006)



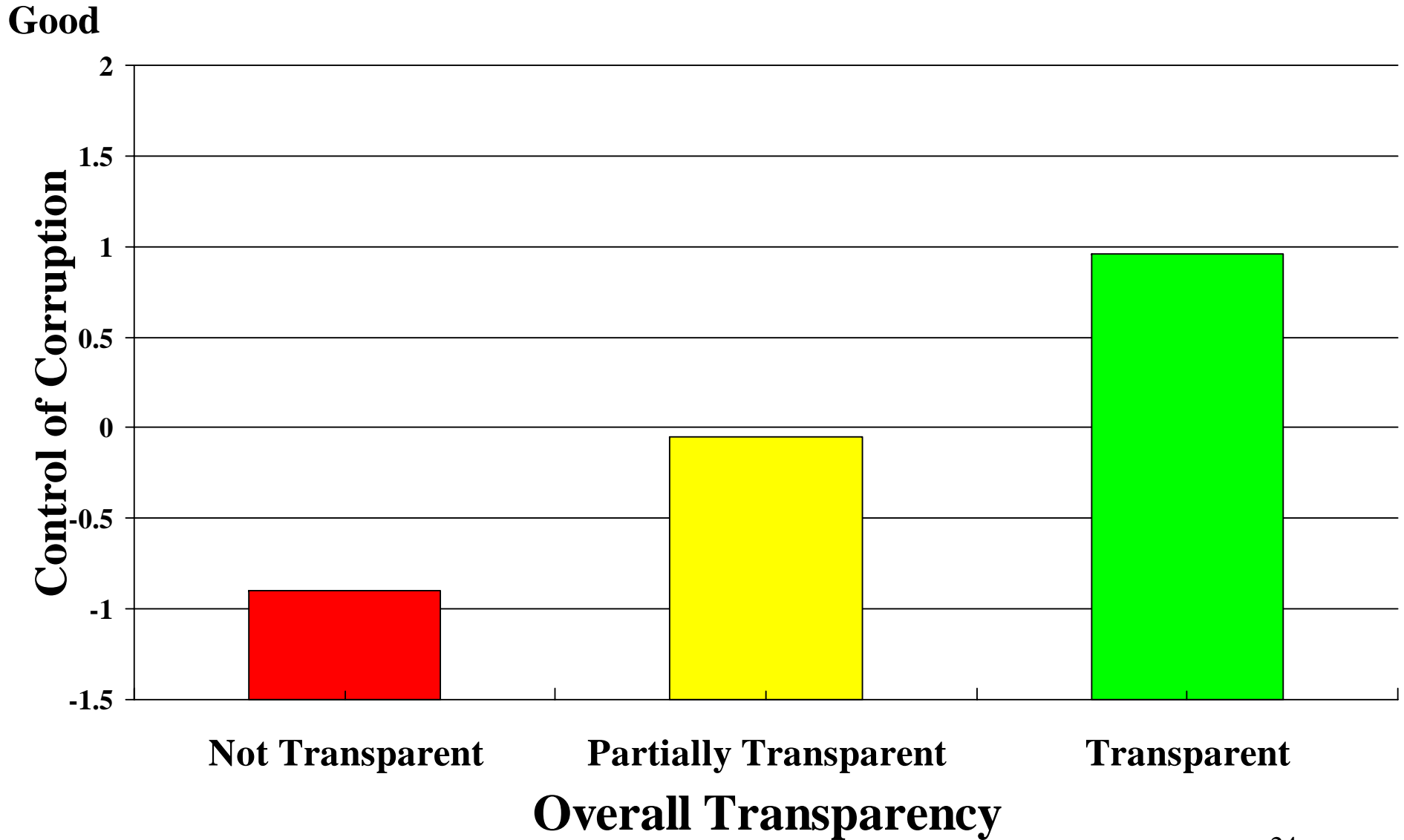
Source: EOS2006. Questions: When firms like yours do business with the government, how much of the contract value must they offer in additional payments to secure the contract? Y-axis shows percentage of firms who admitted paying bribes. Last bar excludes small with less than 50 employees.

An Effective Parliament does Matter for Controlling Corruption, 2006



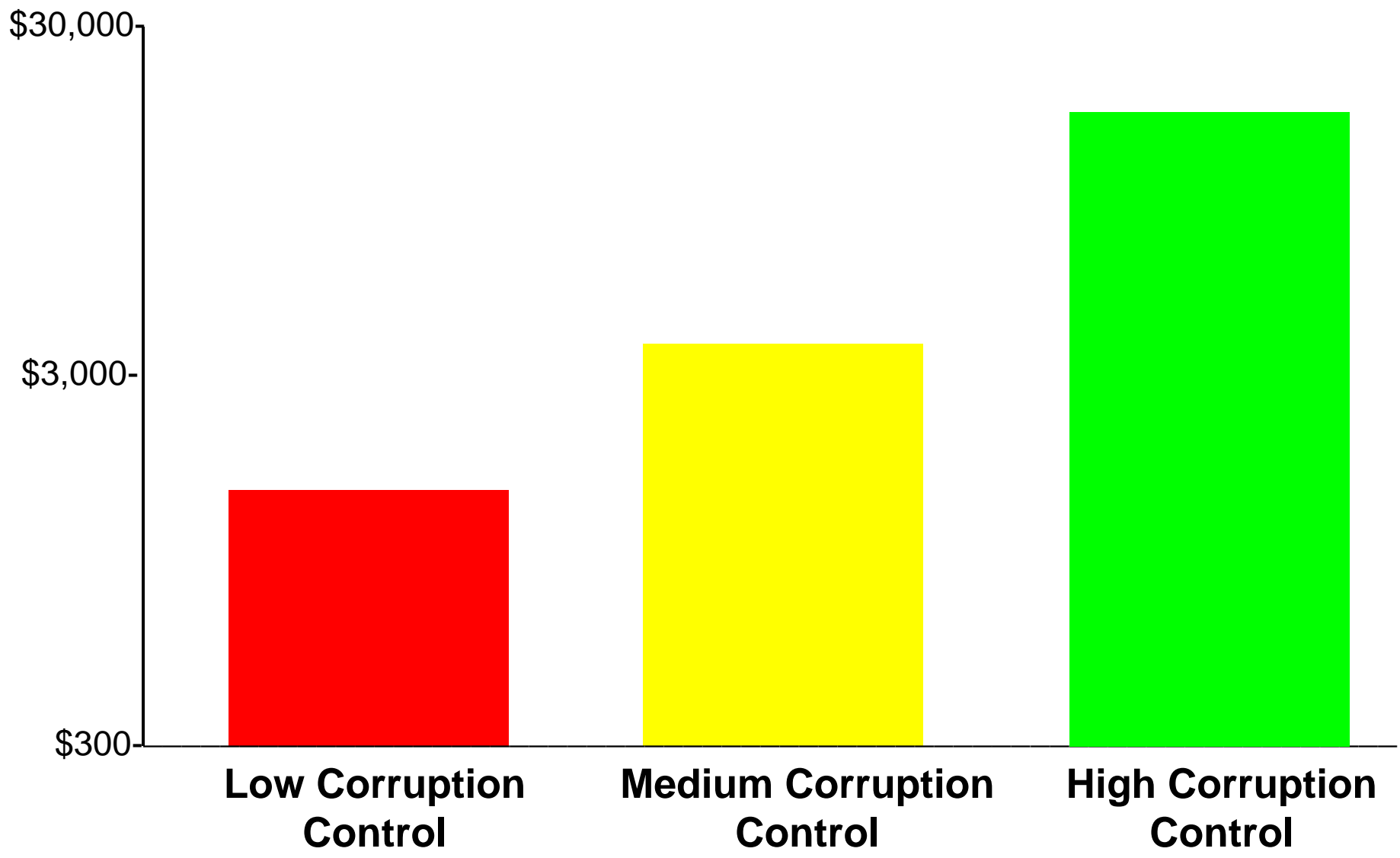
Source for control of corruption: : 'Governance Matters V: Governance Indicators for 1996-2005', D. Kaufmann, A. Kraay and M. Mastruzzi, September 2006 (<http://www.govindicators.org>). Source for Parliamentary Effectiveness: 2006 EOS. Terciles divided evenly according to Parliament Effectiveness ratings (125 countries total).

Transparency Matters for Controlling Corruption



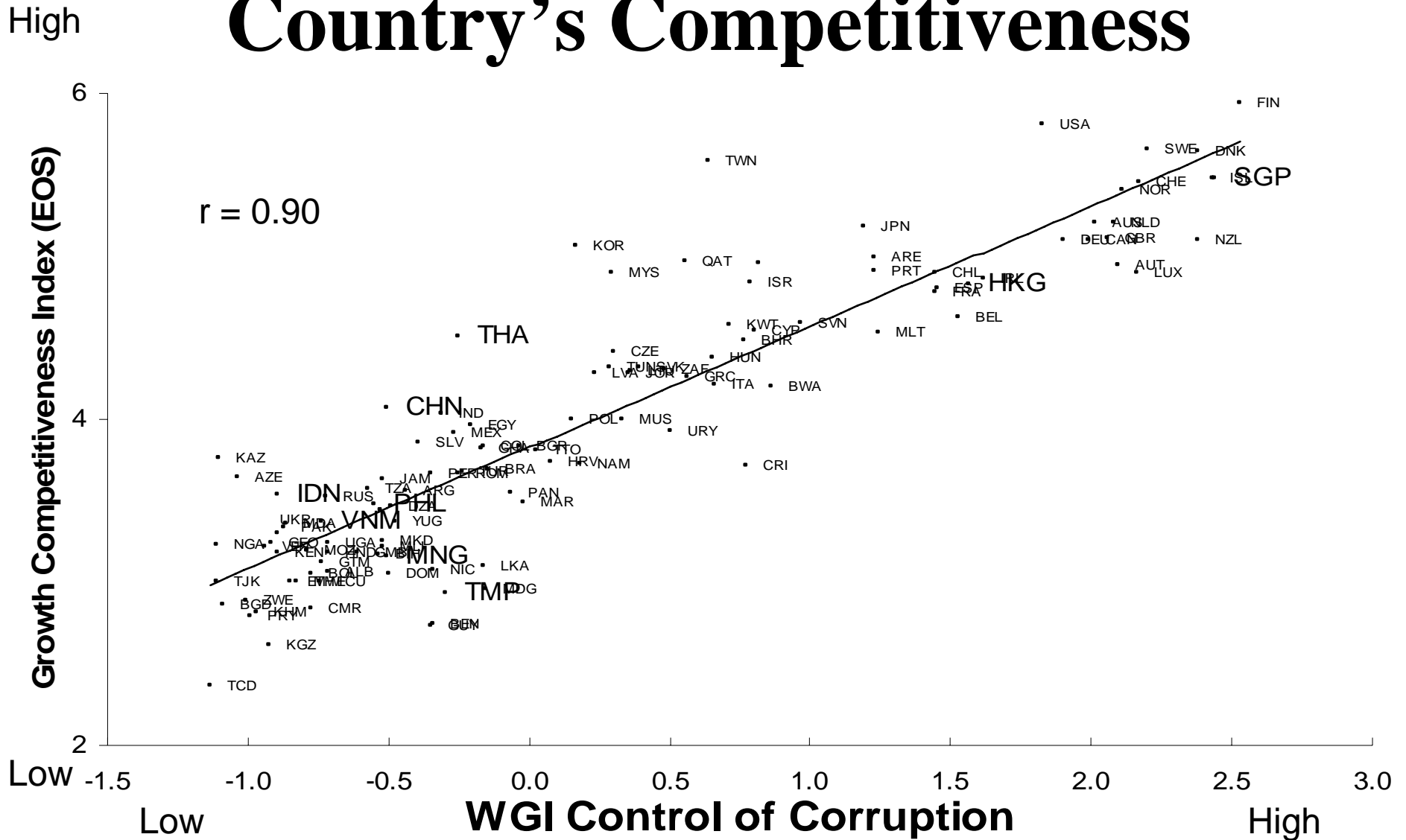
Sources: Governance Matters IV by KKM (2005) and Transparenting transparency by BK (2005). N. of countries: 190

300% Development Dividend from Good Governance



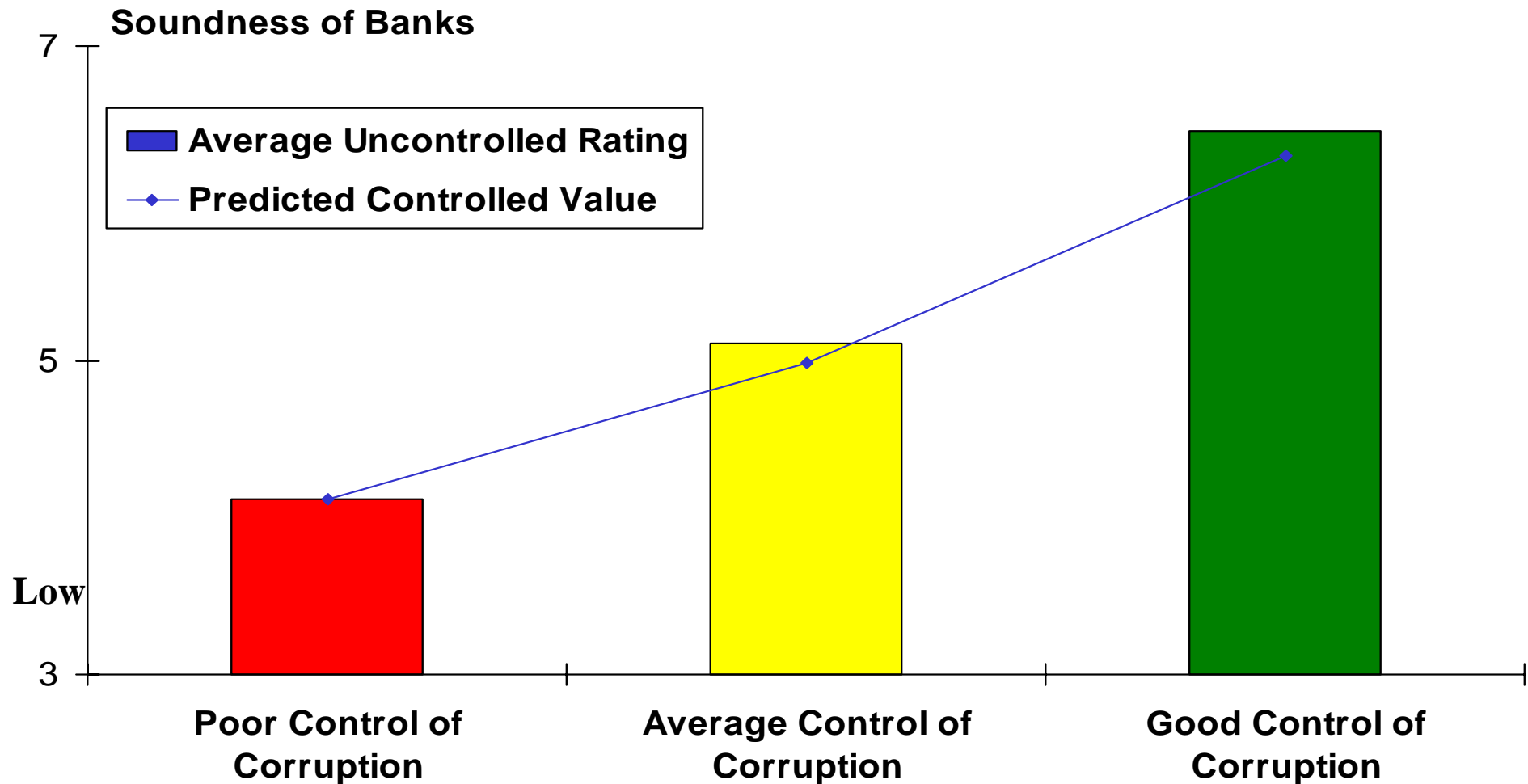
Data Source for calculations: KK 2004. Y-axis measures predicted GDP per capita on the basis of Instrumental Variable (IV) results for each of the 3 categories. Estimations based on various authors' studies, including Kaufmann and Kraay.

Good Governance associated Country's Competitiveness



Sources: GCI drawn from EOS firm survey, WEF 2005 – 117 countries; Control of Corruption from Kaufmann, Kraay and Mastruzzi, 'Governance Matters IV: Governance Indicators for 1996-2004'.

Corruption associated with soundness of financial sector

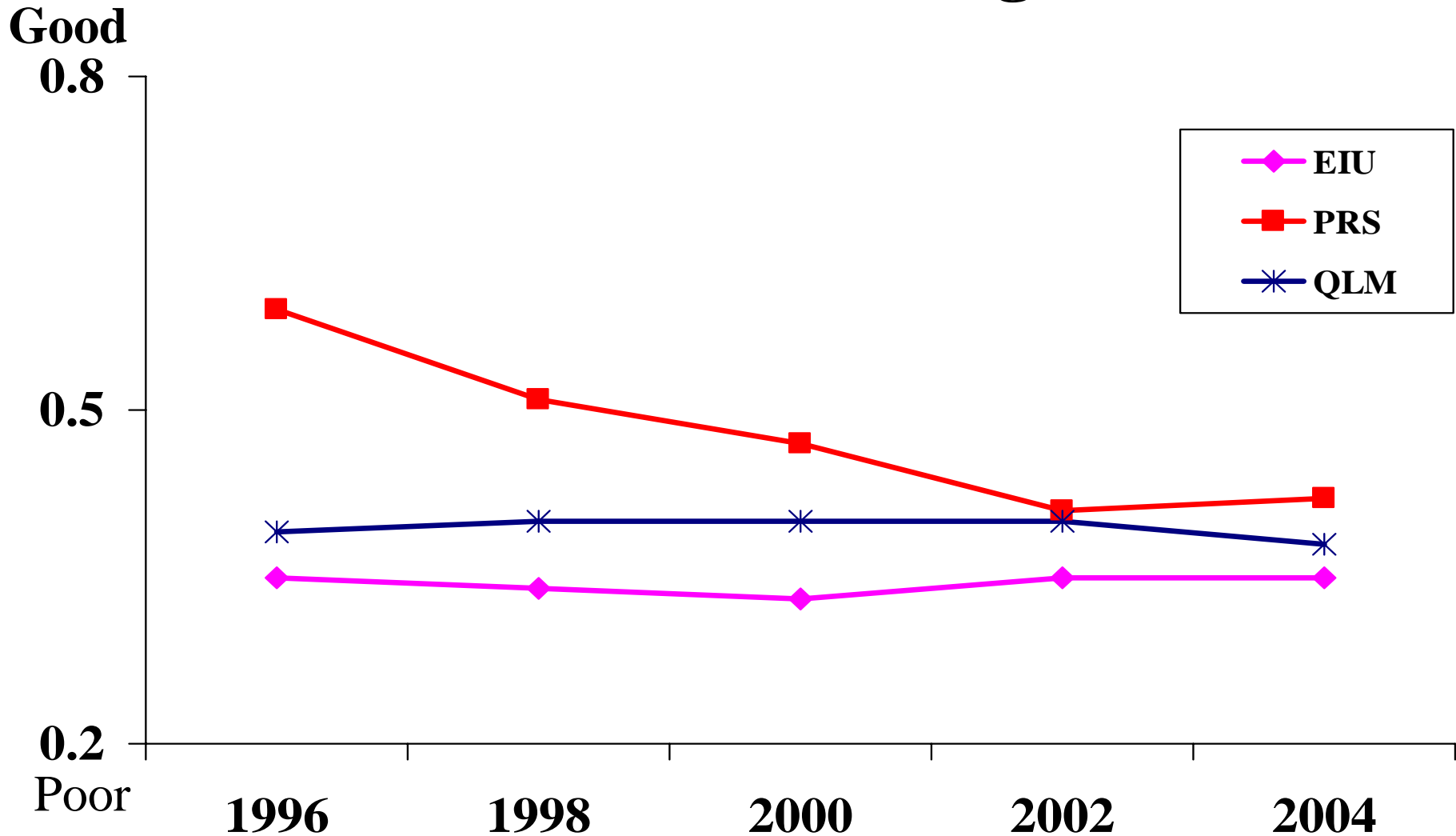


Source: Global Competitiveness Survey, 2001, KK Governance Indicators

Countries can Improve in the Short Term– yet sobering picture worldwide

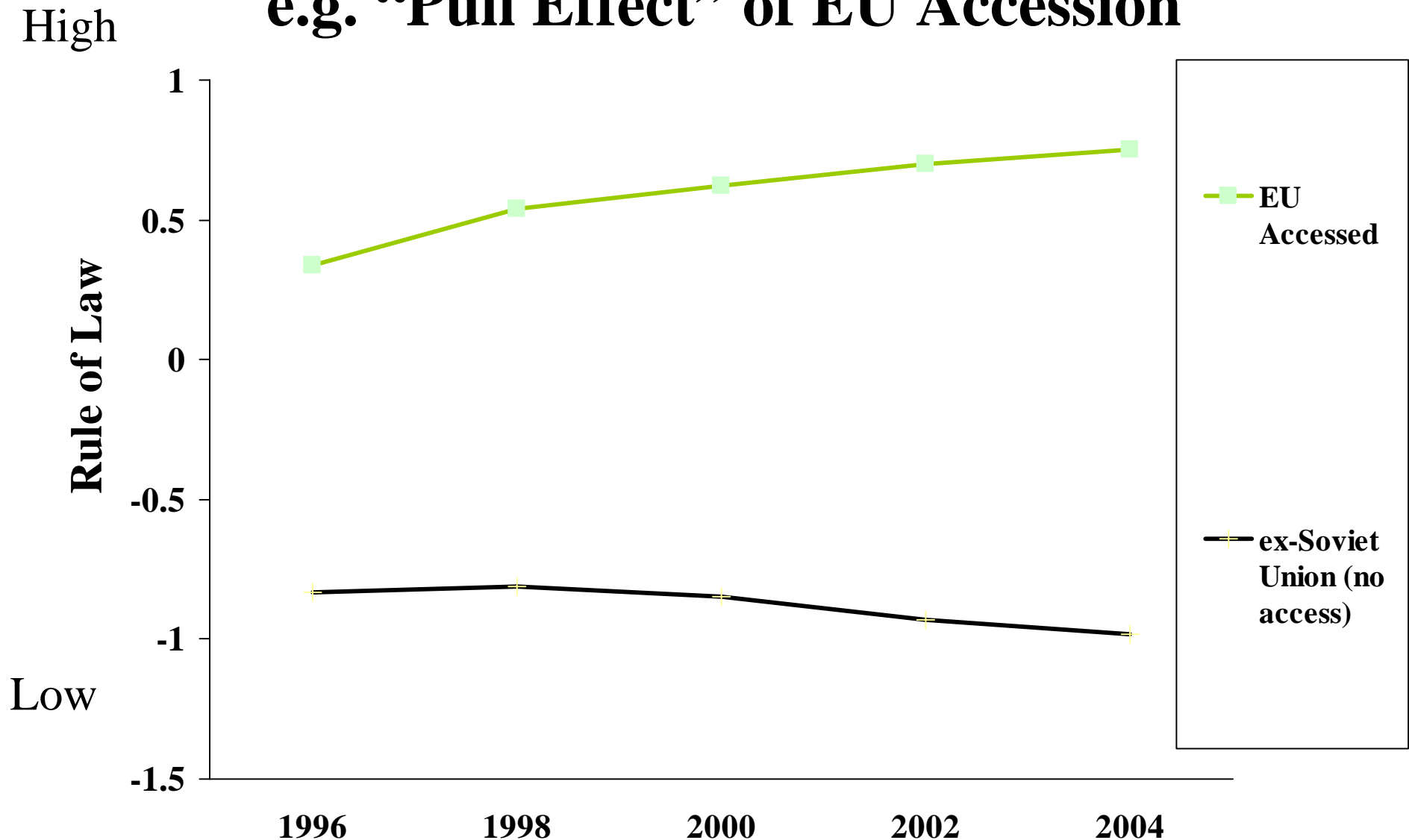
- **On average worldwide, not much of an improvement on governance and corruption control over the past decade**
- **But significant improvement in a number of countries – Eastern Europe, some in Africa, etc., challenging pessimism...it is possible**

No Significant Trend in Control of Corruption Worldwide Averages



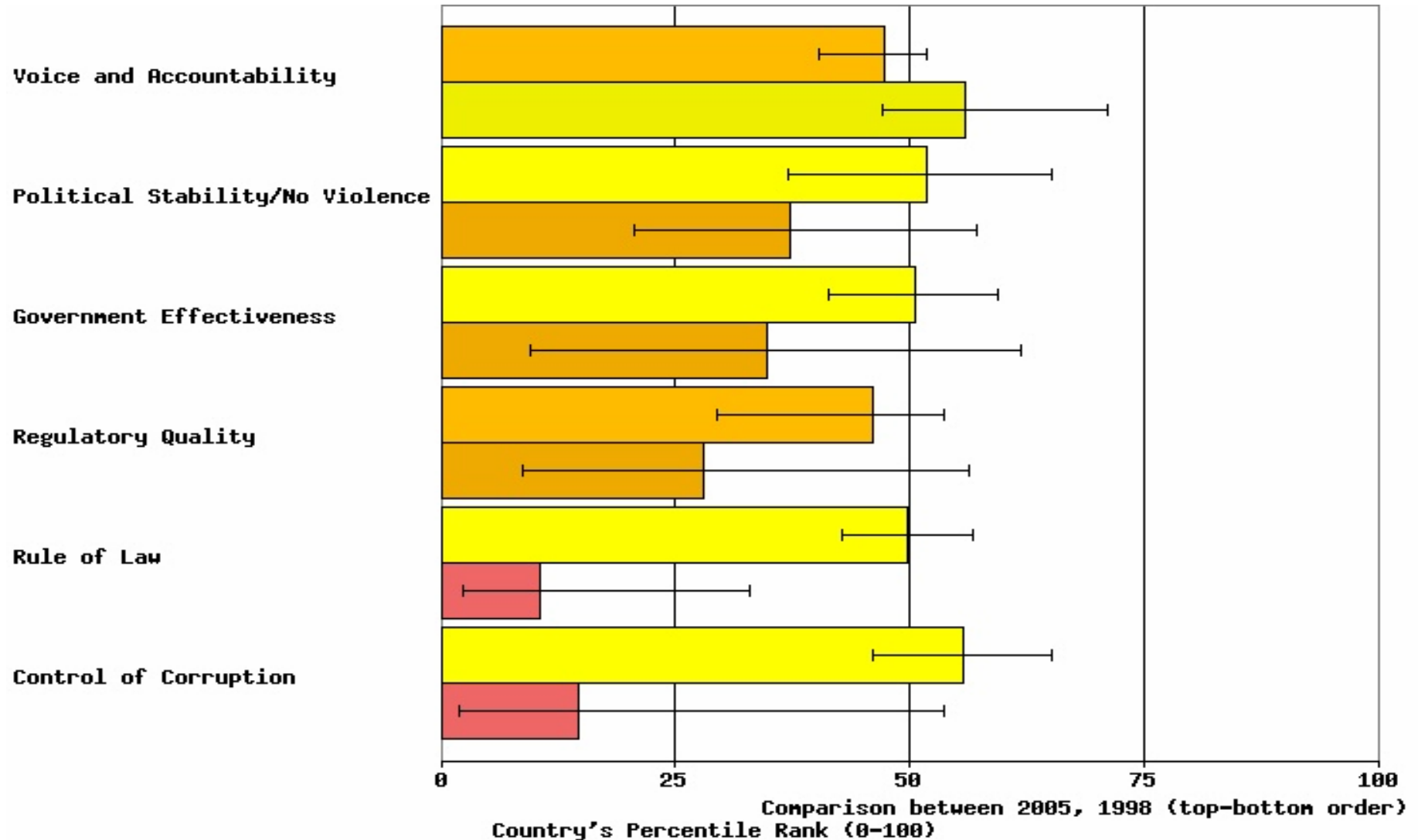
PRS country coverage in 1996: 129, all other periods 140; QLM and EIU country coverage: 115 for all periods. 29

Governance Has Improved in Some Groups: e.g. “Pull Effect” of EU Accession



Source for data: <http://www.worldbank.org/wbi/governance/govdata/>. EU EE Accessed Countries: Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Republic, and Slovenia.

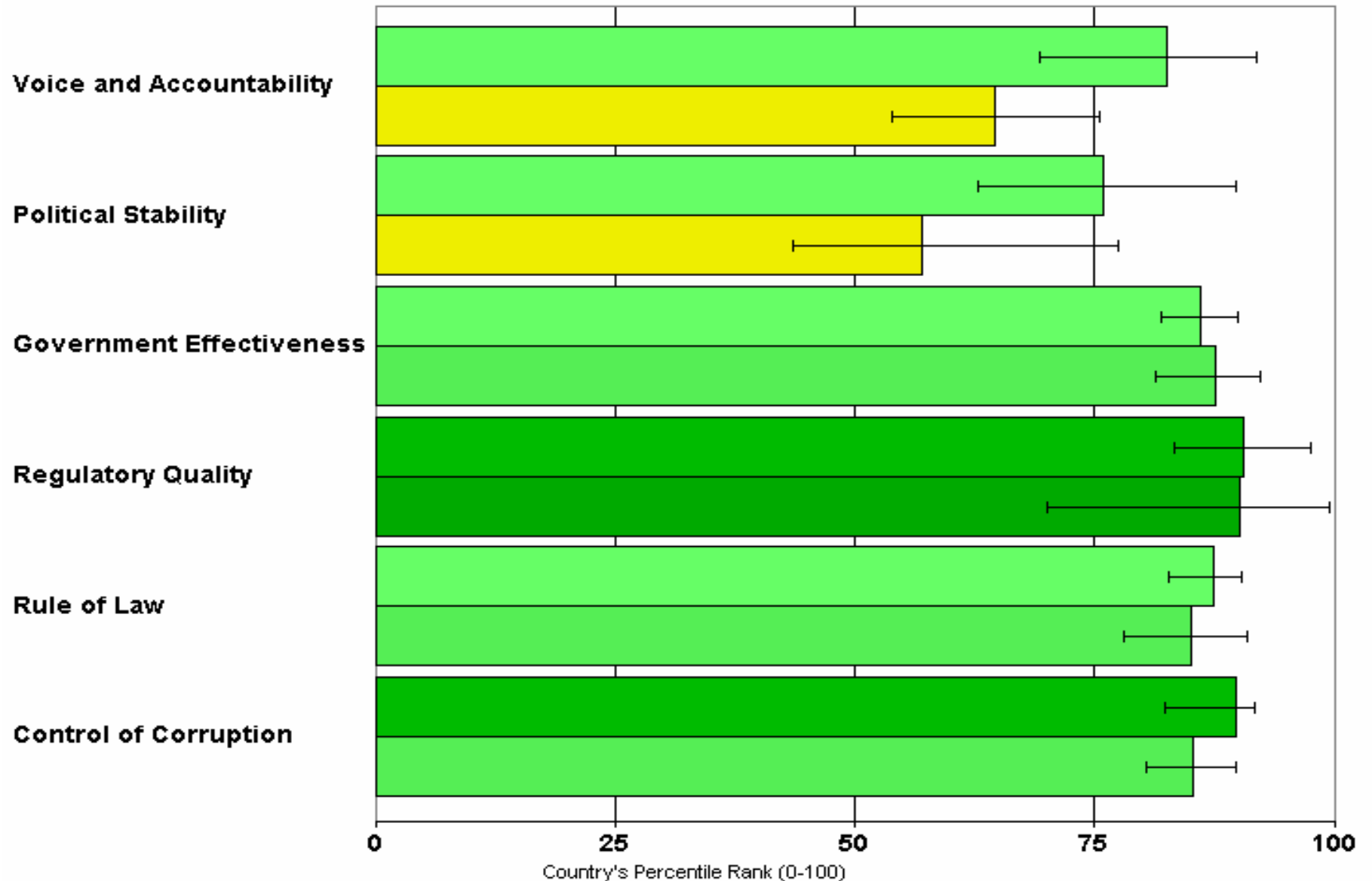
Governance Indicators for Madagascar, 1998-2005



Source for data: 'Governance Matters V: Governance Indicators for 1996-2005', by D. Kaufmann, A.Kraay and M. Mastruzzi, September 2006 - www.govindicators.org. Colors are assigned according to the following criteria: Dark Red: country is in the bottom 10th percentile rank ('governance crisis'); Light Red: between 10th and 25th percentile rank; Orange: between 25th and 50th percentile rank; Yellow, between 50th and 75th; Light Green between 75th and 90th percentile rank; and Dark Green: between 90th and 100th percentile (exemplary governance). Estimates subject to margins of error.

Aggregate Governance Indicators for Chile [2005 vs. 1998]

Comparison between 2005, 1998 (top-bottom order)



Unbundling WGI Aggregate Indicators – Chile

Aggregate Indicators for Chile						
Governance Indicator	Year	Percentile Rank (0-100)	Estimate (-2.5 to +2.5)	Standard Error	Number of surveys/polls	Sources
Voice and Accountability	2005	82.6	+1.04	0.14	10	List
	1998	64.7	+0.59	0.23	6	List
Political Stability	2005	75.9	+0.85	0.21	10	List
	1998	57.1	+0.37	0.26	6	List
Government Effectiveness	2005	86.1	+1.26	0.15	12	List
	1998	87.6	+1.31	0.26	7	List
Regulatory Quality	2005	90.6	+1.40	0.17	10	List
	1998	90.1	+1.10	0.27	6	List
Rule of Law	2005	87.4	+1.20	0.13	15	List
	1998	85.1	+1.18	0.18	11	List
Control of Corruption	2005	89.7	+1.33	0.14	12	List
	1998	85.3	+1.13	0.19	10	List

Individual Indicators for Chile Voice and Accountability, 2005 (0 (bad) to 1 (good) scale)		
Source	Publication	CHILE
Bertelsmann Foundation	Bertelsmann Transformation Index	+0.90
Economist Intelligence Unit	Country Risk Service	+0.90
Freedom House	Freedom in the World	+0.92
World Economic Forum	Global Competitiveness Report	+0.59
Cingranelli-Richards (CIRI)	Human Rights Database	+0.75
Latinobarometro	Latinobarometro Surveys	+0.40
Political Risk Services	International Country Risk Guide	+0.79
Reporters Without Borders	Reporters Without Borders	+0.89
Institute for Management and Development	World Competitiveness Yearbook	+0.66
Global Insight	Business Conditions and Risk Indicators	+0.88

Reporters Without Borders <http://www.rsf.org>

Reporters without Borders, headquartered in Paris, is an international organization dedicated to the protection of reporters and respect of press freedom in the world. In 2002, International Reporters Without Borders published its first worldwide press freedom index, compiled for 139 countries. The index was drawn up by asking journalists, researchers, and legal experts worldwide to answer 50 questions about a whole range of press freedom violations.

Media Sustainability Index: Irex

- **Tracks 20 transition countries in Europe and Central Asia over four-year period 2001-2004**
- **Considers five dimensions of media sustainability: free speech, professional journalism, plurality of news sources, business management and supporting institutions**
- **Shows some progress in most of Southeast Europe, Georgia and Ukraine, stagnation or deterioration in Russia, Romania, Moldova and Belarus**

Problems of Media in Emerging Economies

- **No protection for free speech; misuse of libel & insult laws**
- **Weak institutional capacity in the country to respond to media disclosures**
- **Weak management and corporate governance within media sector**
- **Capture of the industry by a few**
- **Lack of independent finance, poor business strategies**
- **Insufficient expertise on key subjects (business, economics)**
- **Lack of comprehensive data on the industry: “management in the dark”**

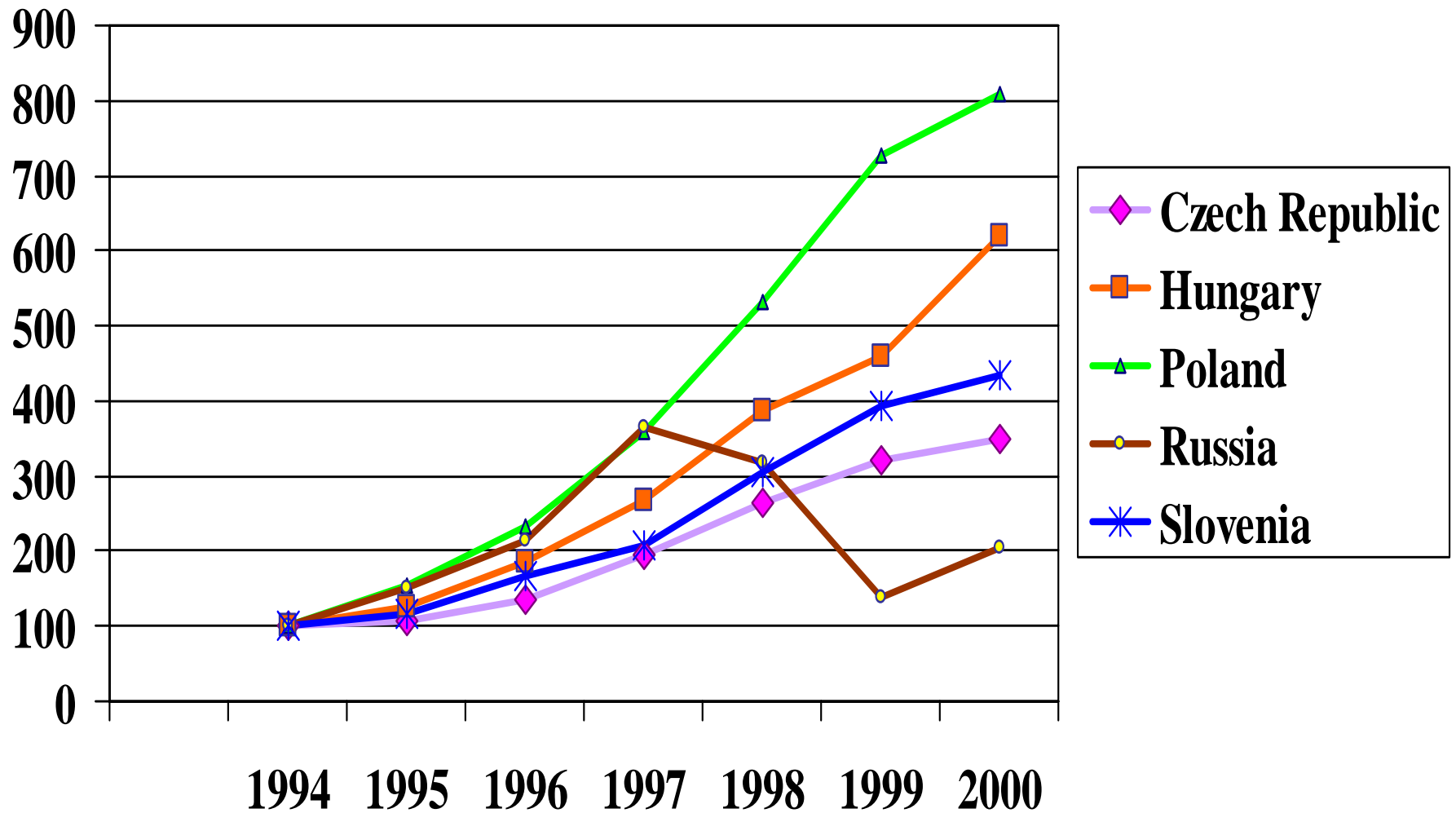
The Central European ‘Laboratory’

- **An industry transformed in short period of time**
- **New legislation enacted**
- **State owners replaced by investors, foreign and domestic**
- **Some journalism of excellent quality takes hold**
- **Emergence from the dark: data on a promising new industry**

Case study in Poland: Rzeczpospolita

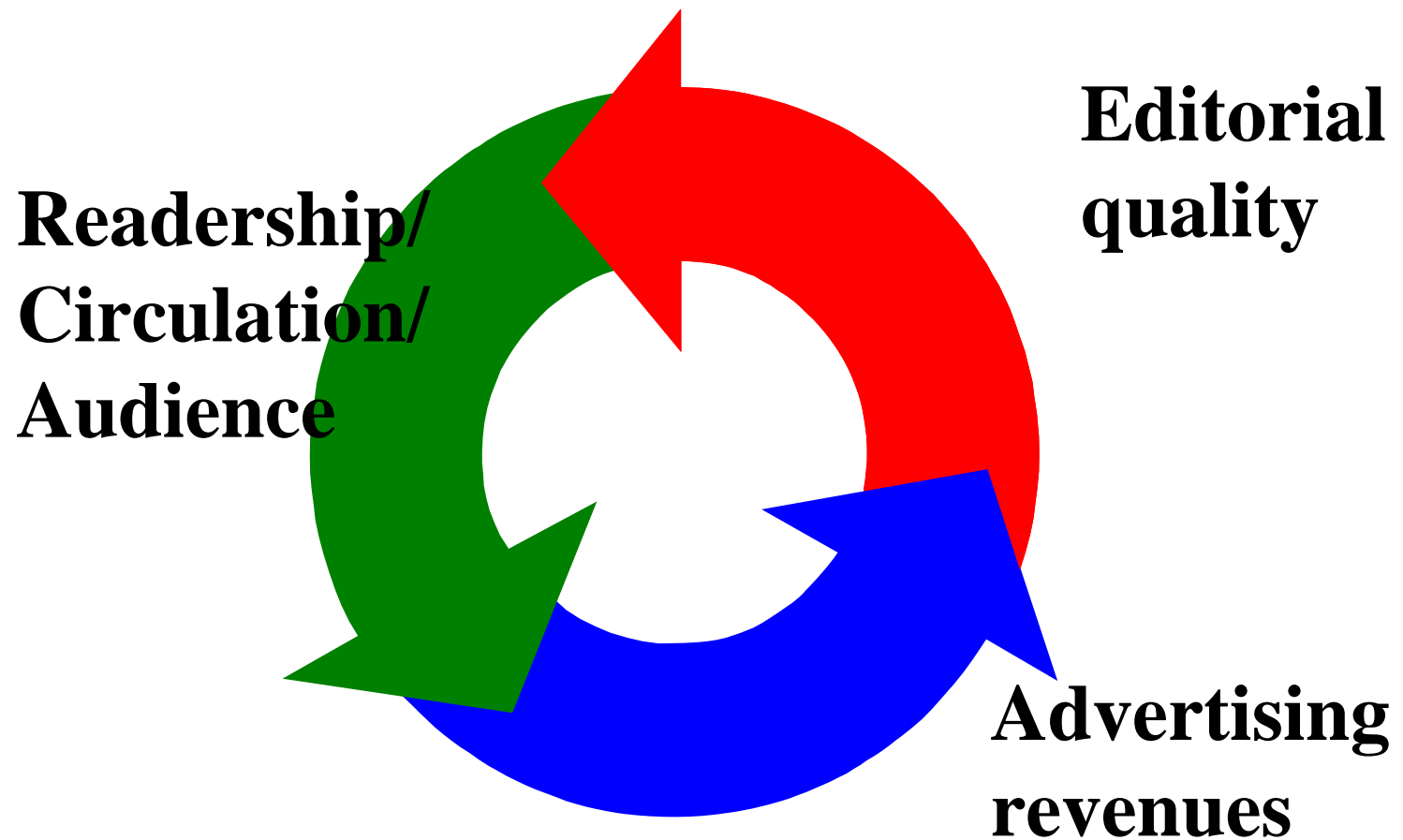
- **Government sold stake in Party daily (1991)**
- **Managers did management training**
- **Journalists studied economics**
- **Beefed up economics/ business coverage**
- **Advertising revenues soared, spurred by strong demand for business page**
- **Today newspaper is independent, profitable**

Eastern Europe Media: Advertising Expenditure [Index: 1994=100]



Source: World Association of Newspapers: World Press Trends 2001

A Successful Media Business



Economic and institutional reform and links to the media

- **Economic growth spurs demand for information**
- **Providers of that information compete for new audiences and advertisers**
- **Media becomes more independent and plays crucial role of monitoring public and private sector behavior**
- **Advocate for institutional change**
- **Demand for rigorous information creates “culture of truth-telling” where facts can be checked and verified**

Beijing Youth Daily

18 April 2003

HEADLINE

“RMB 280,000 Has Been Misappropriated”

Story about how a local official had confiscated money that was repaid to 500 farmers who successfully sued a seed company for poor quality products.

Source: www.sinofile.net

The next frontier: China?

- Last five years have seen relaxation on some aspects of press freedom, crackdown on others (internet)
- Southeast China, in particular, is seeing major explosion of competition among media companies
- SARS exposed weakness of information flow and brought renewed calls for more freedom
- Political shake-up and potential opening up in China due to the interface of a critical event (SARS), cross-border information flows, and technology
- *More general hypothesis: competent economics journalism leads to stronger independent financial position and political opening for all media (SE Asia, Central Europe, Baltics). A foot in the door for a freer press?*

Lessons from Asia

- **Despite well-known hypothesis of a less free “Asian model,” economic growth in Asia went hand-in-hand with a growing freedoms**
- **“Asian tigers” liberalized business information which led to more freedom in other areas**
- **Financial crisis 1997-98 widely understood as failure of information flow—and lack of freedom of the press**

Entry Points: Media are key Advocates for Good Governance Reforms

- **Governance reforms:** inclusion of media issues in training and in implementation of reforms
- **Public sector reforms:** stronger emphasis on access to information at all levels, privatization and deregulation of media, foreign investment in media – complemented with other public sector reforms
- **Private sector:** building knowledge about links between economic performance and good corporate governance/ transparency
- **Knowledge economy:** showing links between successful use/creation of knowledge and quality/ freedom of media

A Media Capacity Development Program

Illustration: Russia/CIS program *[CIDA, WB, MDLF, et al]*

- **Needs assessment done in 2000 identified business environment as the major constraint**
- **Management training network in five Russian cities (later expanded to Ukraine)**
- **Worked with 500 regional newspapers and media outlets, trained 2600 managers of local and regional newspapers over three years**
- **Focus: Financial independence, management**
- **Continuing as independent network of private media consultants**

Why do so many media companies squander their freedom with poor journalism?

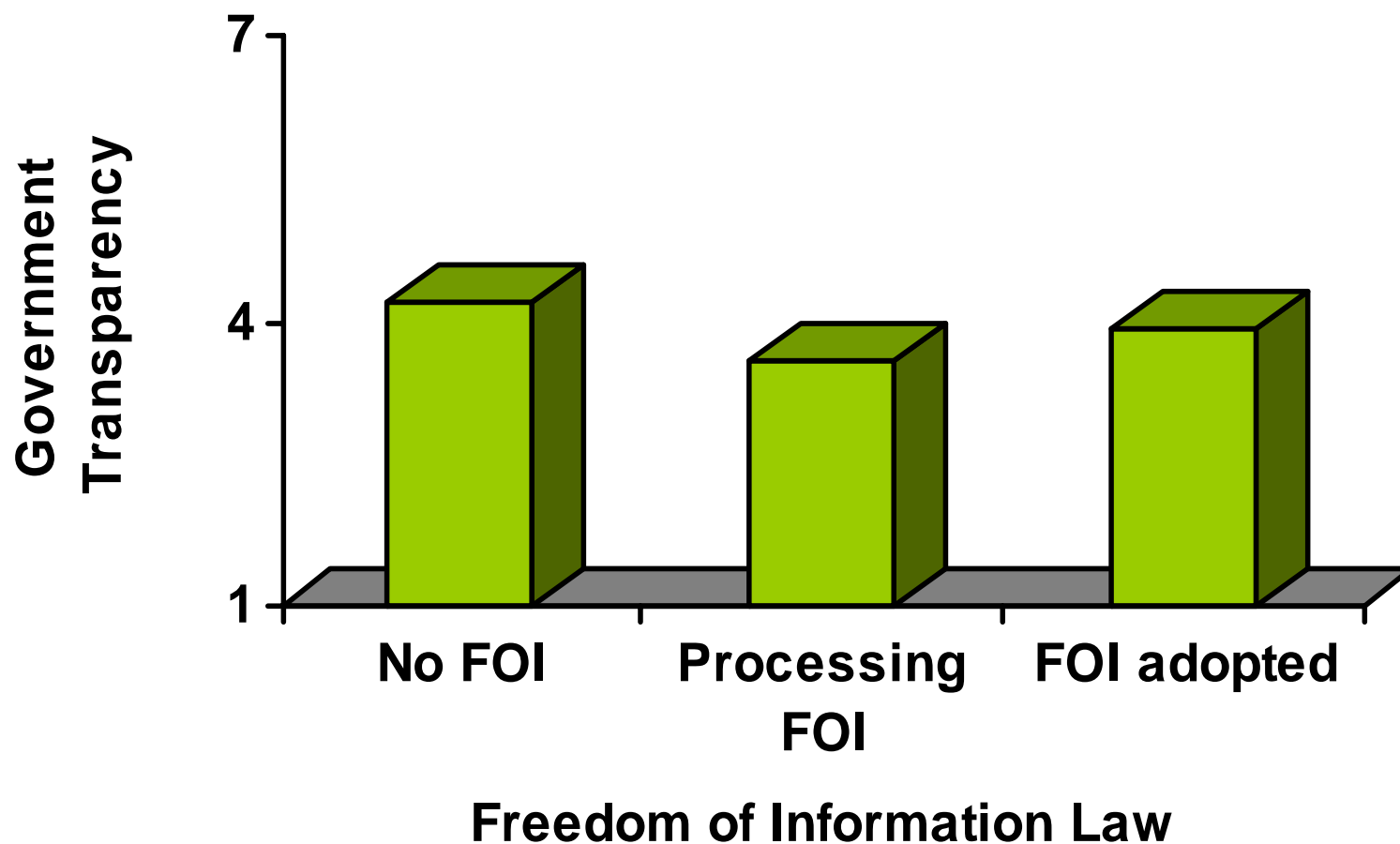
- **In underdeveloped advertising markets, media often depend on circulation to fund their activities.**
- **Often this translates into three Ss: Scandal, Sex & Sports**
- **Low literacy and education levels in many developing countries; TV and radio more important than print media**
- **Sponsorship by politicians or business moguls**
- **Inadequate business capacity among media managers in developing countries**
- **Failure to recognize growth potential at the higher end of the market: advertisers pay more for serious audiences**

General lesson: Effective Media Independence & Capacity – *require systemic approach*

- 1. Regulatory, public sector and governance reforms focusing on transparency & competition**
- 2. Deregulation and Economic Reforms for growth**
- 3. Transparency Reforms: integrated approach *(details next slide)***
- 4. Focus on Financial Sustainability in media strategy**
- 5. Foreign investment and foreign media involvement**
- 6. Diversifying ownership of the media & de-linking media from public purse – *less state ownership; less concentration by few privates; less ‘capture’***
- 7. The media’s role: focus on integrity and quality content *(including more effective use of data)*, & on a strong, independent voice**

FOI laws- necessary but not sufficient...

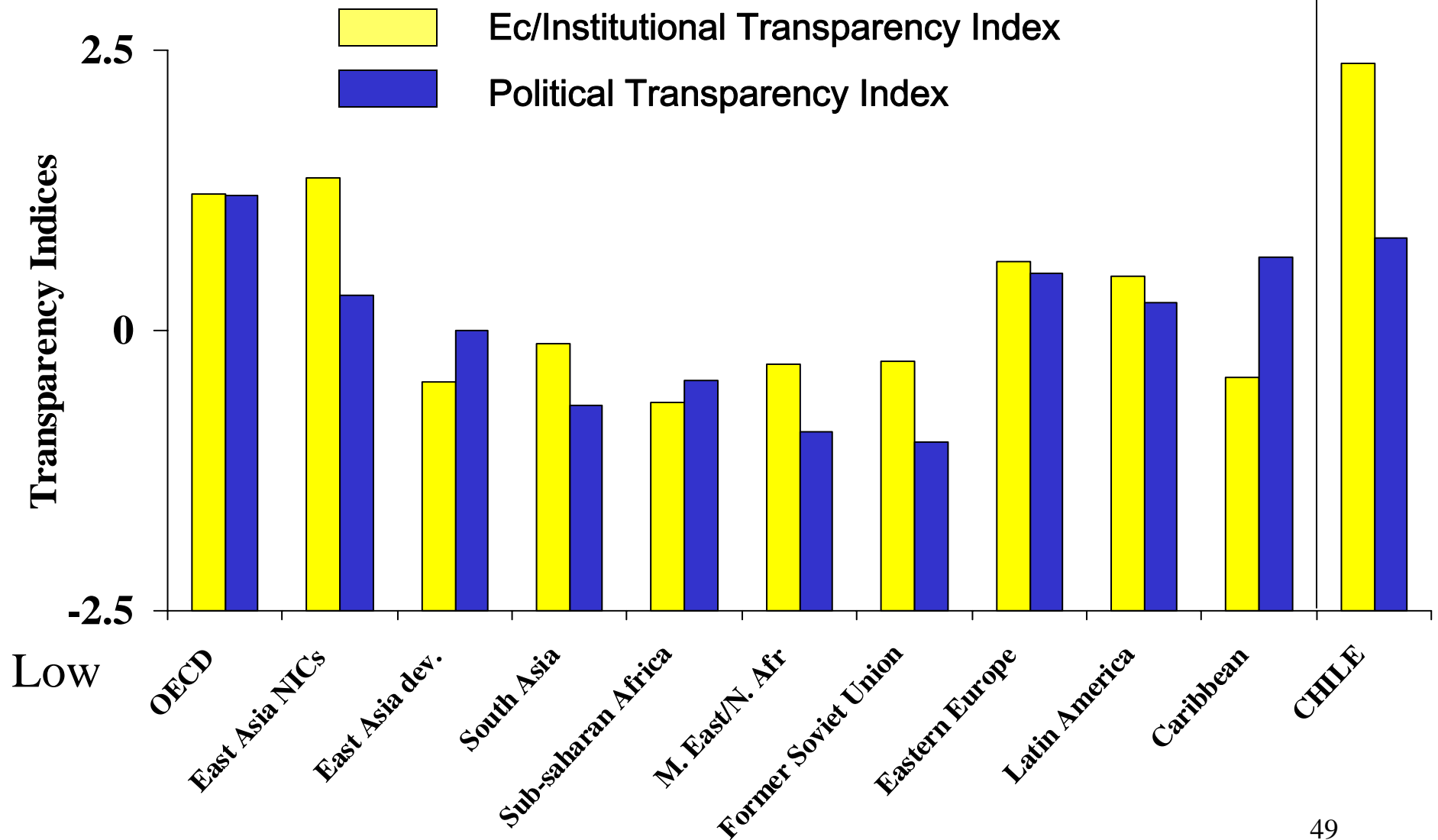
Freedom of Information (FOI) Law vs. Extent of Information Actually Provided by Government to Enterprise Sector, 2004



Sources: Government transparency: Executive Opinion Survey (EOS), 2004 & FOI: Global Survey, 2004. # of countries per x-axis category: No FOI (26), Processing FOI (26), FOI Adopted (51).
48

Economic/Institutional & Political Transparency Index (Initial, 2004)

High



Low

Index ranges from -2,5 (worst) to 2,5 (best).

In Sum – for Media Development, critical:

- **Political environment** (*Freedom of Expression, etc*)
- **Regulatory, Legal and Economic environment –**
(*investment climate, enabling policies, growth*)
- **Transparency Framework** (*political & economic; data*)
- **Quality journalism and Editing, with effective access to plurality of news sources**
- **Business management and plurality of revenue sources – Financial Sustainability**
- **Technology Revolution, adapted –** *web, cell, radio*
- **Media Industry Country Assessment:** *tailor to needs*
- **International Community, Donors, World Bank:** *role*

In Sum – some questions to ponder

1. **Anticorruption ought to be increasingly seen through a broader ‘good governance’ lens**
 - key issue is the respective roles of governments, civil society, donors, and privates
 - Voice, civil liberties, free press: all important for A-C
2. **Government, Donor & Private Initiatives are key for good governance, but how to move beyond easy picks (e.g. *redrafts of laws, codes, commissions*) to the more difficult and often under-emphasized issues of:**
 - i) Political Finance Reform;
 - ii) Financial Sector (incl. *equity markets*) & Deregulation;
 - iii) Transparency (incl. *e*procurement*) & Media Reforms (IT);
 - iv) Raising the cost to the briber
3. Formal Democracy necessary but not sufficient condition?

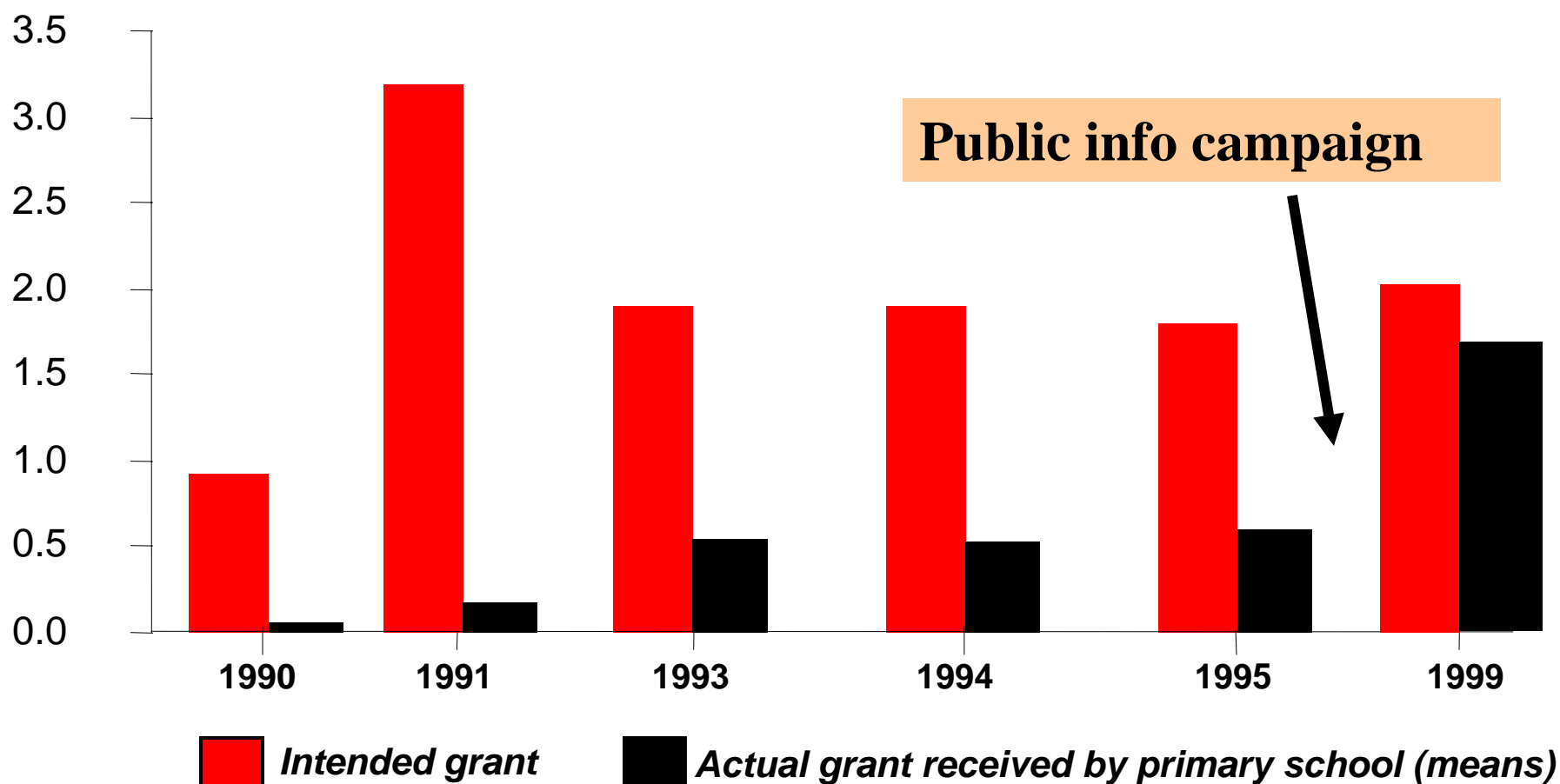
Basic Scorecard: 10 Transparency Reform Components

- 1. Public Disclosure of Assets & Incomes of Candidates, Public Officials, Politicians, Legislators - & *dependents***
- 2. Public Disclosure of Political Campaign contributions by individuals and firms, and of campaign expenditures**
- 3. Public Disclosure of Parliamentary Votes, *w/out exceptions***
- 4. Effective Implementation of Conflict of Interest Laws, separating business, politics, legislation, & government**
- 5. Publicly blacklisting firms bribing in public procurement**
- 6. Effective Implementation of Freedom of Information Law, with easy access to all to government information**
- 7. Fiscal/Financial transparency: *central/local budgets; ROSC, EITI***
- 8. E*procurement: transparency (web) and competition**
- 9. Media Freedoms & Media Development**
- 10. Country Diagnostic (& Scorecard) on Transparency & Governance**

Power of Data, Transparency and Citizen Oversight

Tracking Education spending in Uganda

equiv. US\$ per student



Source: Uganda Public Expenditure Tracking Surveys

Data for Analysis and informing Policy Advise, not for Precise Rankings

Data in this presentation comes from aggregate governance indicators, surveys, and expert polls and is subject to a margin of error. It is not intended for precise comparative rankings across countries, but to illustrate performance measures to assist in drawing implications for strategy. It does not reflect official views on rankings by the World Bank or its Board of Directors. Errors are responsibility of the author(s), who benefited in this work from collaboration with many Bank staff and outside experts.

www.worldbank.org/wbi/governance

Data at: www.govindicators.org