

WORLDWIDE GOVERNANCE INDICATORS: GOVERNMENT EFFECTIVENESS, 2008

The Worldwide Governance Indicators (WGI) project of the World Bank reports aggregate and individual governance indicators for 212 countries and territories over the period 1996–2008, for six dimensions of governance: Voice and Accountability, Political Stability/Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption.

The aggregate indicators combine the views of a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. The individual data sources underlying the aggregate indicators are drawn from a diverse variety of survey institutes, think tanks, non-governmental organizations, and international organizations.

The World Bank uses an Unobserved Component Model (UCM) to aggregate the various responses in the broad six clusters. This model treats the “true” level of governance in each country as unobserved and assumes that each of the available sources for a country provide noisy “signals” indicating the level of governance. The UCM then constructs a weighted average of the sources for each country as the best estimate of governance for that country. The weights are proportional to the reliability of each source. This means that more precise sources (in the sense of providing less noisy signals of governance) receive more weight in the aggregate indicators. The resulting estimates of governance have an expected value (across countries) of zero and a standard deviation (across countries) of one. This implies that virtually all scores lie between – 2.5 and 2.5, with higher scores corresponding to better outcomes.

In its Government Effectiveness indicator the World Bank combines into a single grouping responses on the quality of public service provision, the quality of the bureaucracy, the competence of civil servants, the independence of the civil service from political pressure and the credibility of the government’s commitment to policies. The main focus of this index is on “inputs” required for the government to be able to produce and implement good policies and deliver public goods.

Among European countries and non-European OECD countries Denmark, Switzerland, Sweden, Norway and Finland dominate the top scores in the 2008 Government Effectiveness-Indicator. Malta, Korea, Cyprus, Estonia and Slovenia have been classified as countries with a medium level of Government Effectiveness. The countries with the lowest score are Bulgaria, Romania and Macedonia (Table).

To provide a comparison over time, the Figure illustrates the changes in the Government Effectiveness-Indicator over the decade 1998–2008. The 1998 score is shown on the horizontal axis and the 2008 score on

Table

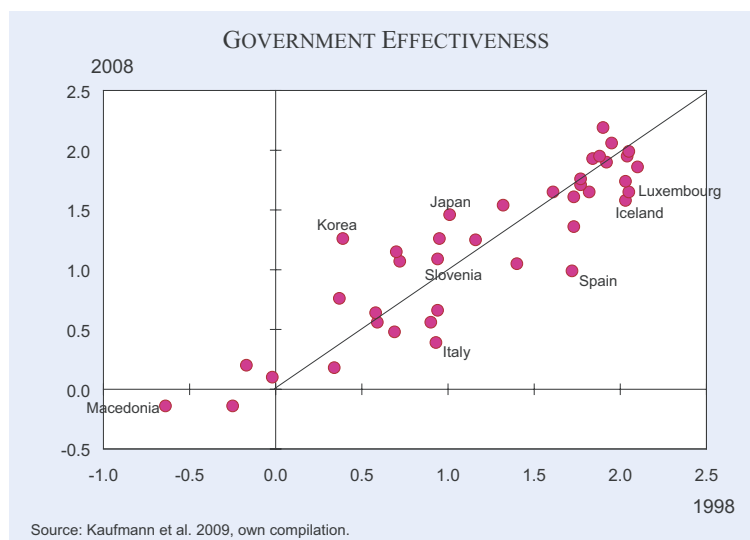
Worldwide Governance Indicators: Government Effectiveness, 2008 and 1998

Country	Governance score 2008	Governance score 1998
Australia	1.90	1.92
Austria	1.71	1.77
Belgium	1.36	1.73
Bulgaria	0.10	-0.02
Canada	1.93	1.84
Cyprus	1.25	1.16
Czech Republic	1.07	0.72
Denmark	2.19	1.90
Estonia	1.15	0.70
Finland	1.95	1.88
France	1.54	1.32
Germany	1.65	1.82
Greece	0.56	0.90
Hungary	0.66	0.94
Iceland	1.58	2.03
Ireland	1.61	1.73
Italy	0.39	0.93
Japan	1.46	1.01
Korea	1.26	0.39
Latvia	0.56	0.59
Lithuania	0.64	0.58
Luxembourg	1.65	2.05
Macedonia	-0.14	-0.64
Malta	1.26	0.95
Mexico	0.18	0.34
Netherlands	1.86	2.10
New Zealand	1.76	1.77
Norway	1.95	2.04
Poland	0.48	0.69
Portugal	1.05	1.40
Romania	-0.14	-0.25
Slovak Republic	0.76	0.37
Slovenia	1.09	0.94
Spain	0.99	1.72
Sweden	1.99	2.05
Switzerland	2.06	1.95
Turkey	0.20	-0.17
United Kingdom	1.74	2.03
United States	1.65	1.61

Note: Only European countries and non-European OECD countries are included.

Source: Kaufmann et al. (2009).

Figure



the vertical axis. Countries located above the 45-degree angle line exhibited improvements in Government Effectiveness, while countries below the line exhibited deteriorations in Government Effectiveness. The first feature of this graph is that most countries are clustered quite close to the 45-degree line, indicating that changes in the Government Effectiveness-Indicator in most countries are relatively small over the eleven-year period covered by the graph. There are, however, improvements in Korea, Macedonia, Japan and Estonia. In contrast countries such as Spain, Italy, Iceland and Luxembourg showed a decline.

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References

Kaufmann, D., A. Kraay and M. Mastruzzi (2009), "Governance Matters VIII: Aggregate and Individual Governance Indicators 1996–2008", *Policy Research Working Paper* 4978.

World Bank, *Worldwide Governance Indicators, 1996–2008*, <http://info.worldbank.org/governance/wgi/index.asp>.