Helpdesk Research Report: Critique of Governance Assessment Applications
Date: 30.07.10

Query: Identify the key literature that critiques the use and application of governance assessments.

Enquirer: DFID

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1. Overview

Governance assessments are based on subjective indicators (or measures), objective indicators or a combination of the two, known as composite indicators. Composite indicators are the most popular and are used by international organisations, donors, investors and the media (Arndt, 2008). Of these the most popular seems to be the World Bank's World Governance Indicators (WGIs). Transparency International's Corruption Perceptions Index (CPI) and the World Bank/International Finance Corporation's Doing Business Indicators are also in common use but less so by international organisations and donors. These indicators face several limitations but general reliance on a small set of indicators has led to greater international acceptance and further reliance on these indicators. Many critics cite the numerous failings of indicators and the way such failings or inaccuracies are routinely ignored by those who use them.

The main use of the indicators by international organisation and donors is to incentivise developing nations to improve their governance and to improve the allocation of aid. There will thus continue to be a demand for summary measurements which can be used across space and time. At the same time there is a growing resistance by developing countries to indicators that are developed and used by 'outsiders'. New forms of assessments are increasingly country-led, and in some cases continent-led such as the African Peer Review Mechanism (APRM).

Critiques of measurement

Measurements matter in terms of aid allocation and good measurements can increase the rigour of discussions by policymakers and civil society (Besancon, 2003). At the same time there are numerous criticisms of the commonly employed measurements specific to types of assessments and assessments in general. There is debate over the sources used – whether sources are reliable, and how many and which sources provide the best measurements. A change in the mixture of sources used impacts conceptual and statistical precision (Knack, 2006). Another common criticism relates to the margin of error. This is often routinely ignored by those who use these measurements, such that cited differences between countries and between different times are, in fact, not statistically significant (Hoyland et al, 2009). Other criticisms are that measurements lack transparency, suffer from selection bias and do not help developing countries identify how to improve the quality of governance.

World Governance Indicators (WGI)

WGI seem to be the most employed indicators by international organisation and donors. Consequently there is significant literature which criticises the WGI. This is generally on methodological grounds. Critics say that WGI are ill-suited to comparisons over time and between countries. The diversity of data sources may mean that changes in measures just reflect corrections of past errors. The WGI lack 'construct validity' – they do not measure what they are purport to measure. They lack transparency, suffer from sample bias and there is a high likelihood of correlation of errors among the sources used. Most recently Langbeina and Knack (2010) have argued that the WGI do not measure distinct concepts of control of corruption, rule of law, government effectiveness, rule quality, political stability, and voice and accountability, as posited. Instead the WGI are measuring the same broad concept. Kaufmann, Kraay and Mastruzzi (2007) respond to such criticisms in the main arguing that there are inherent limitations in measuring governance which must be understood by those who use the indicators. They rebut transparency criticisms arguing that most of the data they employ are in the public domain though they accept that access to Country Policy and Institutional Assessment (CPIA) ratings has been limited.

African Peer Review Mechanism (APRM)

The APRM was founded in 2003 and as a country-led (or arguably continent-led) process of assessing domestic governance differs from the other forms of assessments. In general common issues are the poor capacity of African countries to gather relevant and reliable information. Contestation, disputes and delays are caused by the fact that authority for the reviews rests with the government. There can be mistrust of government intentions and the public and civil society may not buy-into the process. In Ghana, for example, civil society groups were not consulted in a meaningful way (Bing-Pappoe, 2007). In Rwanda, Jordaan (2006) comments that issues such as the lack of separation of powers in the political system and the flawed presidential and parliamentary elections of 2003 have been ignored by the APRM.

Other assessments

Actionable Governance Indicators (AGI) has been designed to bridge the gap between micro- or project measures and macro- or country-level measures. They aim to identify governance issues which can be acted upon, hence 'actionable', and which are specific to the context. Kaufmann and Kraay (2007) note that areas of governance within policymakers' control and therefore amenable to 'actionable' measurement, may not be areas that impact significantly on development outcomes. They argue attention should be paid to 'action-worthy' indicators and not just 'actionable' indicators in order to ensure support for difficult reforms that are essential for impact.

The Transparency Index (TI) set out by Islam (2006) suggests measuring transparency can be an important way of measuring governance. This is based on a correlation between the TI and WGI indicators though arguably they may well be measuring the same broad concept (e.g. Langbeina and Knack, 2010). The Ibrahim Index uses existing data sources, disaggregated regionally for Africa. The index encounters the same problems as with other indicators (Blaser, 2008). Scott and Wilde (2006) argue that most indicators are developed externally, and thus are unhelpful in terms of help countries improve governance. They present a framework for generating pro-poor and gender sensitive indicators. Joint Governance Assessment and World Governance Assessment involve local consultation to produce assessments that are not solely driven externally.

Donor guidance

Though governance is likely to have an impact on how well and effectively aid is being used (Court et al., 2007), there is still debate over what key issues are for governance reforms and whether and when aid should be delivered. Governance indices can also help in choosing partner countries but other criteria may be equally if not more important. This includes need or levels of poverty, existing flows, existing donors and international peace and stability.

A 2008 survey (OECD, 2008; OECD, 2009) illustrated donors' approaches to governance. In particular they note that donors fail to build on country systems or harmonise with them, and they often lack clear purpose to drive the choice of assessment tools. Governance assessments are generally driven by agency needs and concerns. There seems to be less interest in learning about the links between governance factors and development outcomes. To enhance the use of the results of governance assessments the recommendations are that assessments should be linked to programming, that there should be field-driven demand for the assessment and that donor staff should be involved in the process. Furthermore there should be removal of institutional disincentives such as disbursement pressures and there should be a link to conditionalities to provide incentive to countries to improve their governance. UNDP (2009) also recommends that it is important to practice democratic governance during the process of governance assessment itself.

Unsworth (2005) comments that the impact of donor assistance to improving governance has been modest. Donors lack understanding of political and institutional context, and their effects on this. Others argue for a better understanding of the indicators used and provide guides for using and choosing indicators in assessments (Kaufmann and Kraay, 2002; UNDESA, 2007; Sudders and Nahem, 2004).

<u>Initiatives for Improving Assessments</u>

Knack et al (2003) has argued for a 'second-generation' of indicators which are generated through a transparent process, available across many countries over time, of high quality, accurate and specific. In particular they note that 'first-generation' indicators have often lacked sensitivity to the often-justified concerns of government.

Hood et al (2008) suggests creating a ranking of different types of governance assessment methodologies. This is to move beyond both uncritical acceptance and overt scepticism of governance assessments.

Crawford (2003) criticises the logical framework approach and advocates a 'genuinely' participatory approach to governance assessments. Here informed national actors are to take control of the evaluation process and provide the key input of local knowledge and analysis. In particular Crawford stressed that the process of governance assessment can and should be used as a tool for building democratic governance itself.

UNDP (2007) emphasize that media and civil society should play a greater role in governance assessments. They also note that there will always be a plurality of methods and purposes in governance assessments.

2. General critiques

Arndt C., 2008, 'The Politics of Governance Ratings', International Public Management Journal, vol. 11, no. 3, pp 275 - 297.
http://www.informaworld.com/smpp/content~db=all~content=a901675358

This article helps situate governance assessments in a political context. The most popular governance indicators are perception-based composite indicators, primarily of use to international organisations, donors, investors and the media. These indicators summarise vast amounts of data that exists for a large number of countries, but there are significant drawbacks. A small number of indicators are currently dominant because users do not grasp their limitations, and possible alternatives are not well known. There are a small number of indicators which are widely used – the World Bank's World Governance Indicators (WGIs), Transparency International's Corruption Perceptions Index (CPI), and the World Bank/International Finance Corporation Doing Business Indicators. These indicators face limitations with respect to comparability over time, transparency and feasibility of implementation.

There is a growing resistance on the part of developing countries to indicators that are perceived as 'Western' and are primarily used by outsiders. However, new indicators have emerged, which tend to focus on specific and well-defined aspects of governance and therefore give guidance to developing countries on how to improve their rating. At the same time, until a theory of governance is able to guide the construction of meaningful indicators of the overall quality of governance, the development community should focus on such specific and well-defined indicators.

Kaufmann D., and Kraay A., 2007, 'On Measuring Governance: Framing Issues for Debate', Issues paper prepared for the January 11 2007 Roundtable on Measuring Governance, World Bank, Washington, D.C.
http://siteresources.worldbank.org/INTWBIGOVANTCOR/Resources/1740479-1149112210081/2604389-1167941884942/On_Measuring_Governance.pdf

This World Bank paper highlights key issues for users and providers of governance indicators. It contends that: (1) all governance indicators have weaknesses; (2) there are no easy solutions in measuring governance; and that (3) the links from governance to development outcomes are complex. Any proxy for governance is by definition an imperfect measure of broader governance dimensions. The failure to disclose margins of error may lead to a false sense of accuracy or to an over-interpretation of small changes over time or across countries. Even 'improved' indicators (such as 'second-generation' and 'actionable' indicators) are insufficient in themselves. Policymakers should view the different types of indicators as complementary rather than competing. Outcome indicators are also important for measuring what is happening on the ground, taking account of the views of citizens, the private sector and experts. The complex relationship between governance and development outcomes must be taken into account when measuring governance.

Molutsi, P., 2002, 'Tracking Progress In Democracy And Governance Around The World: Lessons And Methods' United Nations Online Network in Public Administration and Finance
http://unpan1.un.org/intradoc/groups/public/documents/un/unpan005784.pdf

The paper says that development and use of indicators has not been well received by the governments and others in developing countries. Some see them as tools for exclusion whereby donors and financiers might use the low rating of a country to justify denial of aid or set conditionality for any assistance to the country. Others have seen the use of indicators and ranking of countries as efforts to embarrass and undermine their efforts to promote democracy and good governance. The use of indicators and assessments vary from one particular interest group and organization to another. However, the paper says, the relevance of assessments as promotional tools for assisting democratization should not be overlooked. What is most required in new and restored democracies today is more dialogue between leaders and their people and with other stakeholders. Only dialogue will translate the constitutional provisions and institutional frameworks of democracy into culture and practice.

3. Critiques of measurement

Besancon, M., 2003, 'Good Governance Rankings: The Art of measurement', World Peace Foundation Report, No. 36, Cambridge, MA
http://belfercenter.ksg.harvard.edu/publication/2077/good_governance_rankings.html

This paper synthesises ideas and opinions from “The Conference on Measuring Governance” at the Kennedy School, Harvard University, in May 2003. Objectively measuring governance could lead prescriptively to improving the welfare of those in the developing world. Measurements matter where international organisations allocate large sums of money to developing nations and base disbursements on good governance. Good measurements can increase the rigour of discussions by policymakers and research communities in the G8 and by civil society. A comparative aggregate rating index may act as a “shaming” mechanism or as an incentive for developing nations to reduce corruption and improve their economies. Alternatively, aggregate governance indicators could constitute political leverage that could be used by elites to mobilise constituents. The consensus among the conference participants was that better, more explicit measures of governance were possible. Until a single approach is agreed upon, greater coordination amongst data compilers and theorists is needed.

Williams, A. and Siddique, A., 2008, ‘The use (and abuse) of governance indicators in economics: a review’ Economics of Governance 9:131–175
http://www.springerlink.com/content/3630401q64n33424/fulltext.pdf

This study provides an overview and introduction to the common governance indicators used in empirical analysis with a detailed appendix of the papers used. This study reviews:

- Objective measures: measures of political instability and violence, political institutions, polity database, database of political institutions, political constraint index.
- Subjective measures: Freedom house index of civil and political liberties, International country risk guide (ICRG), Business Environment Risk Intelligence, Business International, Country Policy and Institutional Assessment (World Bank CPIA).
- Survey based data
- Composite rankings: Transparency International, Governance indicators (‘KKZ indicators’), Economic freedom index (EFI)
- ‘Second generation’ indicators

The paper reviews the methodology of the indicators and point out issues researchers should take note of when trying to quantify governance. The authors note that there is no perfect measurement; different measures have their strengths and limitations and researchers need to be aware of this. They must make sure that they are specific in which aspect of governance they are purporting to investigate and whether the data they are using is as accurate a representation as possible.

Arndt, C. And Oman, C., 2006, ‘Uses and Abuses of Governance Indicators’ OECD Development Centre, OECD
http://www.oecd.org/dataoecd/21/16/40037762.pdf

This study critiques the validity of governance indicators and their uses. The most widely used governance-indicator datasets are composite perceptions-based indicators. These indicators lack transparency and comparability over time, suffer from selection bias, and are not well suited to help developing countries identify how effectively to improve the quality of local governance. This is not widely perceived by users. User groups are mainly international investors, official national and multilateral aid agencies, and development analysts and academics -- mostly people located outside developing countries. They tend to use — and widely misuse — governance indicators to compare the quality of governance both among countries and over time in their decision-making processes. The authors note that the perfect governance indicator will never exist. The production and use of more transparent governance indicators will better serve the needs of both external users and developing countries seeking to improve the quality of local governance. The authors also argue for a stronger “market” for governance indicators; use of a wider range of indicators; and to move beyond the distinction between relatively transparent indicators built to serve the policy needs of developing countries, on the one hand, and composite perceptions-based indicators for cross-country comparisons, on the other.

Kaufmann, D., and Kraay, A., 2007, 'Governance Indicators: Where are We, Where Should We Be Going?' World Bank Policy Research Working Paper No. 4370
http://go.worldbank.org/7N5G6TDUI0

This paper reviews progress to date in measuring governance, using a framework of analysis focusing on two key questions: (i) what is measured? and (ii) whose views are relied on? For question (i), the authors distinguish between indicators measuring formal laws or rules 'on the books', and indicators that measure the practical application or outcomes of these rules 'on the ground', calling attention to the strengths and weaknesses of both types of indicators as well as the complementarities between them. For question (ii), the authors distinguish between experts and survey respondents on whose views governance assessments are based, again highlighting their advantages, disadvantages, and complementarities. The authors also review the merits of aggregate as opposed to individual governance indicators. The authors point to several recommendations: transparently disclose and account for the margins of error in all indicators; draw from a diversity of indicators and exploit complementarities among them; submit all indicators to rigorous public and academic scrutiny; and, in light of the lessons of over a decade of existing indicators, be realistic in the expectations of future indicators.

Knack, S., 2006, 'Measuring Corruption in Eastern Europe and Central Asia: A Critique of the Cross-Country Indicators', World Bank Policy Research Working Paper WPS3968
http://go.worldbank.org/3OCGP6XX60

This paper assesses corruption levels and trends among countries in the transition countries of Eastern Europe and Central Asia (ECA) based on data from several sources that are both widely used and cover most or all countries in the region. The paper concludes that depending on one's purpose, it may be more appropriate to use data from a single source rather than a composite index because of the loss of conceptual precision in aggregation. A second conclusion is that the gains in statistical precision from aggregating sources of corruption data likely are far more modest than often claimed because of interdependence among data sources. The paper emphasizes the need for scaling up data initiatives to fill significant gaps between our conceptual definitions of corruption and the operational definition embodied in the existing measures.

Hoyland, B., Moene, K., Willumsen, F., 2009, 'The tyranny of international index rankings' Research Programme on Democracy, Democracy as Idea and Practice
http://www.demokrati.uio.no/arrangementer/konferanser/2010/Hoyland-Moene-Willumsen-TyrannyIndexRankings-2009.pdf

This paper reviews international index rankings and determines that they are 'too persuasive'. The UN Human Development Index, Freedom House's Freedom in the World, and the World Bank's Doing Business index all provide country rankings that ignore inherent uncertainty. Re-estimated with a method that captures this uncertainty, the authors argue that the practice of ranking every adjacent country ends up emphasizing imaginary differences between countries as if they were distinct and real. The indexes may be poor guides for policies as each link between indicators and scores is noisy and uncertain, but presented as certain.

4. Worldwide Governance Indicators (WGI)

Kaufmann, D., Kraay, A. and Mastruzzi, M., 2007, 'The Worldwide Governance Indicators Project: Answering the Critics', The World Bank, Washington, D.C.
http://siteresources.worldbank.org/INTWBIGOVANTCOR/Resources/1740479-1149112210081/2604389-1167941884942/Answering_Critics.pdf

This paper summarises and responds to recent critiques of the WGI. Such criticisms relate to the following five areas. (1) The WGI are ill-suited to comparisons over time and between countries. Such comparisons could be distorted by the diversity of data sources and the fact that changes may merely reflect corrections of past errors. Comparisons may also be impeded by the lack of precision in the WGI and the fact that indicators are scaled to produce the same global average in each period. (2) The WGI are analytically biased. Since commercial organisations provide some of the data, the results are slanted towards the priorities of business elites. They also contain 'halo effects' - they are overly influenced by countries' recent economic performance and overall level of development. (3) Correlated errors in the various data sources distort the WGI. Since some sources are interdependent, the benefits of aggregation are diminished. Replicated errors in results may also be given excessive weight in the WGI. (4) The WGI lack 'construct validity' – many of the definitions employed are inadequate. Categories used to group governance data lack clear definition and are insufficiently distinguishable from each other. (5) The WGI are insufficiently transparent. Some of the data informing the indicators are unavailable to other researchers, thus impeding evaluation, replication and peer review.

The authors argue that these criticisms can be rebutted on empirical or conceptual grounds. The re-scaling of WGI averages to produce a 'zero mean' for each period and does not impede comparison as there is little evidence for general changes in world governance levels over time. The aggregation methodology successfully merges different data sources into comparable units. Error corrections are not systematic and imprecise results simply reflect the inevitable limitations in governance data. Several non-commercial data sources complement the business data. In fact, the perceptions of businesspeople differ little from other groups. The evidence for 'halo effects' is weak and may merely reflect the causal relation between economic success and good governance. It is unlikely that interdependent data sources will produce exactly correlated errors. Even if sources are based on similar data or reports, their aggregated correlation may merely be evidence of accurate results. Some definitional ambiguity is inevitable given the nature of governance assessment and should not hinder data analysis. In fact, the categories selected demonstrate good empirical coherence and distinguishability. Most of the data employed in the WGI is in the public domain and reproduced in the reports themselves. Although the availability of the Country Policy and Institutional Assessment ratings to the public is limited, broader criticisms of the WGI's transparency are exaggerated.

'In-depth Analysis of KKZ Composite Indicators' Chapter 4 of Arndt, C. And Oman, C., 2006, 'Uses and Abuses of Governance Indicators' OECD Development Centre, OECD
http://www.oecd.org/dataoecd/21/16/40037762.pdf

This chapter takes an in-depth look at the strengths and weaknesses of what the authors argue is the most carefully constructed and widely used indicators. This is the KKZ Composite Indicators, also known as the WGI indicators. Problems associated with their construction or use, of which users seem widely unaware, include: i) the likelihood of correlation of errors among the 37 sources from which the composite WBI indicators are constructed, which significantly limits the statistical legitimacy of using them to compare countries' scores; ii) their lack of comparability over time; iii) sample bias; and iv) insufficient transparency.

Kaufmann, D., Kraay, A. and Mastruzzi, M., 2009 'Governance Matters VIII: Governance Indicators for 1996-2008', World Bank Policy Research Working Paper No. 4978, World Bank, Washington, D.C.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1424591

This paper reports on the 2009 update of the Worldwide Governance Indicators (WGI) research project. The authors explicitly report the margins of error accompanying each country estimate. These reflect the inherent difficulties in measuring governance using any kind of data. The authors conclude that even after taking margins of error into account, the WGI permit meaningful cross-country comparisons as well as monitoring progress over time.

Thomas, M., 2010, 'What do the Worldwide Governance Indicators Measure?' European Journal of Development Research 22, 31-54
http://www.palgrave-journals.com/ejdr/journal/v22/n1/abs/ejdr200932a.html

This paper critiques the 'construct validity' of the WGI– whether they measure what they purport to measure. It raises the question of whether researchers and policymakers are relying on wrong data, rather than poor data.

Kaufmann, D., Kraay, A. and Mastruzzi, M., 2010, 'Response to 'What do the Worldwide Governance Indicators Measure?' European Journal of Development Research 22, 55-58
http://info.worldbank.org/governance/wgi/pdf/KKMResponseEJDR2Final.pdf

Thomas (2009) dismisses the WGI as an "elaborate and unsupported hypothesis" because of the failure to demonstrate the "construct validity" of these indicators. This paper's authors argue that "construct validity" is not a useful tool to assess the merits of the WGI, and even if it were, Thomas provides no evidence of any practical consequences of failure to meet the criteria of construct validity.

Langbeina, I., Knack, S., 2010 'The Worldwide Governance Indicators: Six, One, or None?'
http://www.informaworld.com/smpp/content~db=all?content=10.1080/00220380902952399

This study uses factor, confirmatory factor and path analysis to test both measurement and causal models of the six Worldwide Governance Indicators. They purportedly measure distinct concepts of control of corruption, rule of law, government effectiveness, rule quality, political stability, and voice and accountability. Rather than distinguishing among aspects of the quality of governance, the authors find that they appear to be measuring the same broad concept.

5. African Peer Review Mechanism (APRM)

Chikwanha, A. B., 2007, 'The APRM: A Case Study in Democratic Institution Building?', ISS Paper, no. 151, Institute for Security Studies, Pretoria
http://www.afrimap.org/english/images/documents/ISSPAPER151.pdf

This paper analyses the progress made by the APRM across the countries which have signed up. The APRM is already showing symptoms of becoming ensnared in bureaucracy. Though a worthwhile exercise in political accountability and institution building, scarce resources have been wasted by some of the countries involved through hesitancy by both political and technical staff. The APRM is proving to be a positive experience in democratic institution building that will, according to the author, yield benefits in stimulating change in the governance and political culture on the continent. However, the process has its limitations. Contestation, disputes and delays are caused by the fact that all authority for the reviews rests with government. Capacity to gather relevant and reliable information is a major shortcoming for many African countries and the demands of peer review can be overwhelming in such circumstances. There are variations and different standards in the quality of supervision by the Panel of Eminent Persons which leads the country reviews. Logistical constraints and occasionally lack of political will can delay the APRM process. The plethora of institutions involved at the national level complicate the process. Mistrust of government intentions and the fear of incorporation by government worsen the tension between government and civil society. Where political tensions are high and trust is low in key political institutions, it cannot be expected that the public will buy into the review process easily. This lack of buy-in can lead to contestation of both the process and the findings.

Herbert, R. and Gruzd, S., 2008, 'The African Peer Review Mechanism: Lessons from the Pioneers', South African Institute of International Affairs
http://www.saiia.org.za/books/the-african-peer-review-mechanism-lessons-from-the-pioneers.html

This study provides an in-depth analysis of the APRM with evaluation of the political and social dynamics. It provides lessons and recommendations for the APRM as a political process, how to promote civil society influence and recommendations for the future. In includes case studies of Ghana, Kenya, Rwanda, Mauritius and South Africa. The appendices include further sources for research on governance, a checklist of demands for civil society and '80 Lessons for Success' with the APRM.

Bing-Pappoe, A., 2007, 'Ghana and the APRM: A Critical Assessment', Africa Governance Monitoring and Advocacy Project, Open Society Institute for West Africa, Senegal
http://www.afrimap.org/english/images/report/AfriMAP_APRM_Ghana_EN.pdf

This report evaluates Ghana's country self-assessment process. The Ghana APRM self-assessment is considered to have been robust, flexible, absent of political manipulation and largely participative, and resulted in a detailed programme of action. Nevertheless, the process had a number of weaknesses. When non-governmental research organisations were appointed as technical research institutes (TRIs) the selection process was closed and their contracts prevented them from sharing the results of their research. Public sensitisation efforts ran concurrently with research for the self-assessment report. This was problematic in cases where interviewees for the research process had not yet heard of the APRM. Many civil society groups felt that there was not enough meaningful consultation. Participants at consultative meetings were not supplied with documentation prior to meetings, whilst there was no feedback mechanism on how their inputs were used. The Ghana country self-assessment report, submitted to the government and the APRM Panel, has not been published. The same applies to the minutes and reports of relevant meetings. The ambiguities in APRM documentation regarding the definition and degree of involvement of civil society leave important issues up to each country to decide.

Jordaan, E., 2006 'Inadequately Self-Critical: Rwanda's Self-Assessment For The African Peer Review Mechanism' African Affairs, 105/420, 333–351
http://afraf.oxfordjournals.org/cgi/content/short/105/420/333

This article examines Rwanda's evaluation of its political governance for the APRM as reflected in the January 2005 version of this country's self-assessment report. The author finds that the report inadequately addresses a number of serious political problems in Rwanda, such as Rwanda's involvement in the Democratic Republic of Congo, the inadequate separation of powers in the Rwandan political system, tensions in Rwandan society, and the flawed presidential and parliamentary elections of 2003.

6. Other assessments

Actionable Governance Indicators (AGI)

World Bank, 2010, 'AGI Presentation: An Update (In Full)'
http://siteresources.worldbank.org/EXTPUBLICSECTORANDGOVERNANCE/Resources/286304-1235411288968/fULLvERSION.pdf?resourceurlname=fULLvERSION.pdf
World Bank, 2010, 'AGI Definition and Measurement Paper'
http://siteresources.worldbank.org/EXTPUBLICSECTORANDGOVERNANCE/Resources/286304-1235411288968/AGINote.pdf?resourceurlname=AGINote.pdf

AGIs are designed to provide evidence on the characteristics and functioning of particular elements and sub-elements of the various dimensions of governance. They aim to track the "missing middle" between inputs and outputs, and outcomes. Inputs and outputs here refer to the project inputs and outputs as well as the programme and policy outputs. Outcomes refer to the broader governance outcomes, often measured at a national level. AGIs are not necessarily objective and can include subjective or perceptions-based indicators. They aim to be narrow and explicit to the context to be more actionable which also means they are contestable in nature. The indicators fall under the themes of political accountability, checks and balances, public sector management, civil society and media, private sector and decentralisation and local participation. The World Bank has produced an AGI Data Portal where at present there are 1182 indicators derived from 13 sources.

Trapnell, S., 2009, 'Governance Indicators Explanations and Guidance For Usage' World Bank
https://www.agidata.org/main/video/GuidanceNote_GovIndicators_30Oct09.pdf

This short guidance note is provided with the AGI indicators. It states that before applying indicators in monitoring or evaluation contexts, it is important to determine the relevance of the indicator to a given aim, as well as understand its strengths and weaknesses. The note outlines a series of questions to be asked of any indicator being considered, so as to avoid inappropriate application and to ensure that fair interpretations are made from the data. These are: i) What is the aggregated indicator measuring; ii) Are the indicators based on facts or perception; iii) Are the indicators focused on design, capacities, or performance; iv) Are comparisons over time appropriate; and v) Are cross-country comparisons appropriate.

Transparency Index

Islam, R., 2006, 'Does More Transparency Go Along With Better Governance?', Economics and Politics, vol. 18, no. 2, pp 121-167
http://ideas.repec.org/a/bla/ecopol/v18y2006i2p121-167.html

This paper presents a new indicator, the 'Transparency Index', to measure the frequency with which governments update economic data made available to the public. It also uses the existence of a Freedom of Information Act as an indicator of transparency. Cross-country analysis shows that countries with better information flows, as measured by these indices, have better quality governance. Two transparency indicators are used to analyse the relationship between information flows and governance: a transparency index and the existence of a Freedom of Information Act. Regression results show that more transparent governments govern better. However, this study uses the WGI indicators as the dependence variable for the regressions. Thus it is not clear the level of conflation between the constructs of transparency and governance.

Ibrahim Index

Blaser, J, 2008, 'Notes on the Ibrahim Index' UNDP Zambia, Staff Opinion
http://204.200.211.80/joomla/attachments/003_staff_opinion_undp_zambia_2.pdf

The Mo Ibrahim Foundation published a new index in September 2007 ranking the performance of the 48 countries in sub-Saharan Africa. The Ibrahim Index grades countries on factors such as security, levels of corruption, and respect for human rights. This paper notes that the index encounters the same problems associated with other indexes such as weighting, scales, variance truncation, absolute versus relative scores, time and method disparities of raw data. The Index relies heavily on the existing global data sources and has simply disaggregated them regionally for Africa. The Ibrahim Index claims to provide a comprehensive definition of governance based on the delivery of key 'political goods' sorted in five categories: (i) Safety and security; (ii) Rule of law, transparency and corruption (iii) Participation and human rights (iv) Sustainable economic opportunity (v) human development.

The assumption of the index is that governments, which can provide these five political goods, expressed in 58 subcategories, tend to be governed better than others. This definition, the authors says, is problematic for several reasons: (i) the rationale why this definition should prevail over other definitions is contested; (ii) it focuses on results rather than processes and does overlook that processes are equally important for good governance than the results; (iii) the definition is objectivistic and doesn't take perception into account. Critical observers might ask on whose authority such a definition can be declared as "comprehensive"; (iv) the Index considers human development as a function of governance whereas Human development in the way that was originally introduced by UNDP, encompasses governance and is hence not a function of governance; and (v) even if one agrees with the five political goods, the definitions of indicators can be questioned. For instance participation appears to be narrowly viewed only as participation in elections. The author, however, concludes that these comments should not lead to the conclusion that the Index is futile. But as with any other governance assessment, one has to be aware of its limitation and shortcomings in order to appreciate its value and use.

Pro-poor and gender sensitive governance indicators

Scott, C. and Wilde, A., 2006, 'Measuring Democratic Governance: A framework for selecting pro-poor and gender sensitive indicators', United Nations Development Programme, Oslo
http://www.undp.org/oslocentre/docs06/Framework%20paper%20-%20entire%20paper.pdf

Most indicators are developed by external stakeholders to compare nation states and are not designed to help countries undertake governance reforms. This UNDP guide presents a framework for generating pro-poor gender sensitive indicators to help policy makers monitor and evaluate democratic governance at the country level. It argues that indicator selection is itself a governance process.

Joint Governance Assessment

Williams, G. et al., 2009, 'Carrying out a Joint Governance Assessment: Lessons from Rwanda', The Policy Practice, London
http://www.thepolicypractice.com/papers/15.pdf

A Joint Governance Assessment (JGA) aims to bring government and development partners together to review governance performance based on commonly agreed indicators. This paper recommends that such an assessment can prove to be helpful to advancing dialogue, but is likely to be a long-term and difficult process that is only suited to particular circumstances where the process can address joint concerns of government and donors.

World Governance Assessment

Hyden, G. et al., 2008, 'Governance Assessments for Local Stakeholders: What the World Governance Assessment Offers', Overseas Development Institute, London
http://www.odi.org.uk/PPPG/politics_and_governance/publications/WGAWP287phase2report.pdf

The World Governance Assessment (WGA) is based on principles of national ownership and local consultation, and the need to strengthen monitoring institutions and diagnostic tools. This paper publishes findings from the WGA second round, arguing that it is uniquely placed to serve both donor and local interests. The WGA builds capacity of local researchers, provides a sense of ownership, captures local context, and allows for cross-country comparison.

7. Donor guidance

Court, J., Fritz, V. and Gyimah-Boadi, E., 2007, 'Measuring Governance: What Guidance for Aid Policy?', Overseas Development Institute, London
http://www.odi.org.uk/pppg/politics_and_governance/publications/GAPWP5.pdf

This paper from the Overseas Development Institute examines current techniques for measuring governance applied to the issue of scaling up Irish Aid. There are a growing number of sources of governance indicators which should be used to inform aid decisions. These must be judged with awareness of their limitations and alongside other factors including political context assessments. There is a growing consensus that governance is important to development and that governance is likely to have an impact on how well and effectively aid is being used. At the same time, there is less certainty about precise causal linkages, pathways of improving governance and economic growth over time, and about the dimensions of governance that would matter most.

Care is needed in making judgments about how governance varies across the developing world, what the key issues for reform are, and whether and when aid should be provided in large quantities. Governance data are based on perceptions and have significant margins of error. Categorisation depends on the donor approach to governance issues – whether the focus is limited to development management for growth or how much issues of voice, human rights and democracy also matter. Given the limitations of the data, only loose categorisation is possible.

Governance assessments should be undertaken jointly by donors to avoid duplication of work and unnecessary costs. Sharing of information between donors should be encouraged. Donor agencies must ensure adequate central capacity exists to review and digest existing governance indices and qualitative assessments. This is both to inform any new assessments required and to contribute to European and international policy debates. Governance interventions should focus on the essential rather than the desirable, and potentially on priority sectors rather than national level issues. Governance indices can help in choosing additional partner countries and deciding the use of aid modalities. However, other important criteria include need/poverty levels, existing aid flows and donors to a country, and international peace/stability. Governance indices cannot be applied mechanically and donors may choose to provide aid to a country with a difficult governance context. Donors should be realistic about the lengthy time it takes for governance constraints to be overcome.

OECD DAC, 2009, 'Donor Approaches to Governance Assessments: Guiding Principles for Enhanced Impact, Usage and Harmonisation', Organisation for Economic Cooperation and Development - Development Assistance Committee, Paris
http://www.oecd.org/dataoecd/27/31/42338036.pdf

This note presents the findings of an initial survey of donor governance assessments, which pointed to the risk of frequent duplication and overlap between donor tools, as well as the need to improve practice with regard to greater reliance on partner country assessment processes. The guiding principles for enhancing the impact, usage and harmonisation of governance assessments are presented in five areas: (1) Building on and strengthening nationally driven governance assessments; (2) Identifying a clear key purpose to drive the choice of assessment tools and processes; (3) Assessing and addressing governance from different entry points and perspectives; (4) Harmonising assessments at country level when the aim is to stimulate dialogue and governance reform; and (5) Making results public unless there are compelling reasons not to do so.

OECD DAC, 2008, 'Survey of Donor Approaches to Governance Assessment', Organisation for Economic Cooperation and Development (OECD), Paris
http://www.oecd.org/dataoecd/26/5/40049776.pdf

This study surveys donors' use of general and thematic governance assessments. Most approaches are driven by policy dialogue, detailed planning of governance enhancement activities and strategic decisions regarding aid to specific countries. Linkage to a donor's programme, demand from the field and removal of institutional disincentives are important in determining how governance assessments are used. Governance assessment approaches seem mostly to have been developed in response to individual agency needs and concerns. There appears to be less interest in learning about the links between governance factors and development outcomes in different country contexts. This might explain why the underlying assumptions behind particular general governance assessment tools are usually not explicit and that, despite many differences, there are also striking similarities between approaches.

Five factors appear to enhance the use of the results of governance assessments: (1) linkage to programming; (2) field-driven demand for the assessment; (3) participation of donor staff in the process; (4) removal of institutional disincentives such as disbursements pressures and incentives to demonstrate short term impact; and (5) a link to conditionalities, which may provide effective incentives for countries to improving their ranking in assessments. Most tools use secondary data for their assessments. Almost all draw on perception-based data primarily derived from surveys and expert groups. Assessment tools producing indicator sets tend to be perceived as more methodologically rigorous than other tools. Donor assessments usually involve domestic stakeholders from government, civil society and the private sector. Involvement ranges from informing the government about the assessment, to consultation on timing, scope and process, and validation of findings.

UNDP, 2009, 'Planning a governance assessment: A Guide to Approaches, Costs and Benefits', UNDP Oslo Governance Centre
http://www.undp.org/oslocentre/docs09/UNDP_GA_Guide_070408_V4.pdf

This guide examines the basic issues that a country or organization should consider when developing and producing a country-led governance assessment. This guide attempts to outline how country-led governance assessments can be carried out with broad stakeholder participation at a reasonable cost, and at the same time produce meaningful results that can be used by civil society and governments alike. The guide concludes with emphasizing how it is critical to practice democratic governance in all phases of the assessment process. This is planning, conducting the assessment, analyzing the data, and reporting of the results. The authors note that with the evaluation the practice of governance principles, such as accountability, transparency, fairness, participation and efficiency, are essential.

Unsworth, S., 2005, 'Focusing Aid on Good Governance: Can Foreign Aid Instruments be used to enhance 'Good Governance' in Recipient Countries?', Oxford University
http://www.globaleconomicgovernance.org/wp-content/uploads/Unsworth%20-%20Focusing%20Aid%20on%20Good%20Governance.pdf

This paper looks at the history of donor efforts to strengthen public institutions in developing countries, and at how these have evolved in response to accumulated learning, changing fashions and donor interests. Systematic evaluation is lacking, but overall, the impact of donor assistance has been modest. Donors need a much better understanding of political and institutional context, and to provide more effort to nurture local ownership and demand for reform. Rich countries need to be much alert to the impact of their actions (aid, business relations, diplomacy) on local political relationships and incentives. A major cause of bad governance in many developing countries is that incentives for political elites to engage with local interest groups - for example over tax - is relatively weak, since they have access to external rents and support from rich countries. Rethinking governance in this way is difficult for donors because it highlights the scale of the challenge, the limitations of what external actors can contribute, and the lack of knowledge about how to get better governance.

Kaufmann, D. And Kraay, A, 2002 'Governance Indicators, Aid Allocation, and the Millennium Challenge Account' World Bank
http://129.3.20.41/eps/dev/papers/0405/0405013.pdf

This paper discusses challenges in relation to employing governance indicators for aid allocation. These are: (1) Governance indicators have substantial margins of error, so that special empirical scrutiny is needed for borderline cases; (2) Margins of error can be reduced by relying on more sources of information; (3) Margins of error are not unique to subjective indicators; (4) Country coverage of governance indicators is important; (5) Measuring improvements in governance is important, yet difficult; and (6) In-depth country diagnostics can usefully complement cross-country data. One way to complement the imperfect information provided by WGI is to carry out in-depth, country-focused governance diagnostic surveys for selected countries. This complementary approach to obtaining additional information is particularly important if measurement of the changes in governance over time is to be important as well in implementing eligibility criteria (alongside the use of level estimates in such criteria).The authors note that the set of six point points made apply more broadly to other indicators and their interpretation as well.

United Nations Department of Economic and Social Affairs, 2007, 'Public Governance Indicators: a Literature Review', UNDESA, New York
http://unpan1.un.org/intradoc/groups/public/documents/UN/UNPAN027075.pdf

This paper from the United Nations Department of Economic and Social Affairs (UNDESA) gives an overview of governance indicators and discusses their advantages and disadvantages. Efforts to measure governance suffer from problems related to the specific interests of the clients or constituents of the organisations that attempt to measure it. There is a lack of relevant objective data, which has forced many organisations to rely on subjective data. Despite large volumes of data, their usefulness is limited due to quality and incompatibility issues. It would be impossible to aggregate all indicators and come up with an index. The governance evaluation debate is split into local and global. Local assessment is increasing in flexibility and relevance, while global assessment is moving towards standardisation and better trend analysis. Yet it may be possible to design a new data set that is both comprehensive and relevant. It argues that new transforming factors such as the Information Age, globalisation and decentralisation should be taken into account in governance assessments. Citizens' requirements should be more accurately ascertained and indicators should be more objective and geographically disaggregated in order to implement good governance mechanisms.

Sudders, M. and Nahem, J., 2004, 'Governance Indicators: A Users Guide', United Nations Development Programme, Oslo Governance Centre, Oslo
http://www.undp.org/oslocentre/docs04/UserGuide.pdf

This guide is for non-specialist users and offers advice on where to find and how to use governance indicators. The first part offers generic guidance on governance indicators and how to select appropriate data in different situations. The second part is a source guide, which uses a set format to describe 33 existing sources of governance information, all available on the internet. The first page on each source outlines its main characteristics, and the second provides an example of the data and guidance on how to use it in a valid way.

8. Initiatives for improving assessments

Knack, S., Kugler., M and Manning, N., 2003, 'Second-generation Governance Indicators', International Review of Administrative Sciences, vol. 69, no. 03, pp. 345-364.
http://ras.sagepub.com/content/69/3/345.abstract

This paper produces a design for 'second generation' indicators which aim to improve on 'first generation' indicators. The second generation indicators must meet the following 4 criteria: (1) *Generated through a transparent process.* Proposed indicators should be replicable through a well-documented process. The data should come from sources that are politically acceptable. (2) *Available across many countries and over time.* Broad country coverage is necessary for testing relationships between indicators and valued outcomes. Ideally an institutionalized procedure is in place or could reasonably be set up to collect data on the proposed indicator in the future. (3) *High quality and accurate.* Indicators should be measured in a consistent manner across countries and values should reflect what the indicator purports to measure. (4) *Specific.* Indicators should measure either a particular set of governance institutions or a defined output; and should not be unduly affected by forces exogenous to the aspect of government it is trying to capture.

The second generation indicators aim to improve on the first generation in terms of political acceptability and specificity. The paper notes that if consensus is key to developing governance indicators that promote institutional change, then sensitivity to the often-justified concerns of governments is key to that consensus. The first-generation of governance indicators often linked governance to a variety of development outcomes but were of limited value in building ownership for reform by developing-country governments. Furthermore measures should be institutionally specific so that reformers know which institutions to reform and how to do so.

Hood, C., Dixon, R. & Beeston, C. 2008. 'Rating the Rankings: Assessing International Rankings of Public Service Performance'. International Public Management Journal, 11(3), 298-328.
http://www.informaworld.com/10.1080/10967490802301286

This paper provides a methodology of ranking different types of governance assessments. The aim of the paper is to move beyond both uncritical acceptance and overt scepticism. It suggests a way of adding intelligence to the assessments systems that is in the tradition of 'practical scepticism' and seeks to contribute to a second-generation approach to such assessments.

Crawford, G., 2003, 'Promoting Democracy from Without - Learning from Within (Part I)', Democratization, 10: 1, 77 — 98
http://www.informaworld.com/openurl?genre=article&issn=1351%2d0347&volume=10&issue=1&spage=77
(Part II)', Democratization, 10: 2, 1 — 20
http://www.informaworld.com/openurl?genre=article&issn=1351%2d0347&volume=10&issue=2&spage=1

Crawford argues that conventional evaluation methodology in this field, notably the logical framework approach suffers from a number of deficiencies and limitations. It produces narrow, project-based analysis using quantitative operational performance indicators that are insufficiently grounded in the complexities of the political context in which such assistance takes place. This is oriented to fulfilling donor needs by demonstrating success and usefulness, with the evaluation process itself reproducing the negative characteristic of democracy promotion as an external imposition, with limited input from local actors. Crawford advocates a 'genuinely' participatory approach in which informed national actors control the evaluation process and provide the key input of local knowledge and analysis. It is asserted that positive outcomes can include a more critical appraisal of international donor activities, greater internal authorship over external democracy assistance, and a strengthening of local action for democratic change. Crawford argues that in this way, the act of evaluation can itself act as a democratic tool in creating citizen deliberation and action.

UNDP, 2007, 'Opportunities for Inclusive Participation and National Ownership', Seminar, Bergen, Norway, 23 –25 September 2007
http://www.undp.org/oslocentre/docs07/BergenSeminar.pdf

This report presents the results of a 2007 UNDP/ Chr. Michelsen Institute (CMI) seminar focused on governance assessments in the context of the Paris Declaration and its principles of national ownership, national capacity development, alignment and harmonization. The role of the media and of civil society in assessments was stressed by several participants. Media and civil society have a role to play in the process of an assessment as well as in the aftermath to an assessment. Action plans may need to be translated into political activism and civic engagement. The speakers emphasised that where there is capacity and expertise, as in the case of the APRM, assessments should be based on endogenous processes, and donors should seek to build on these, and not duplicate efforts. However, it is still a challenge to have media and civil society involved in a comprehensive manner, especially in countries where participation has traditionally been limited. Furthermore, it was recognised that the values associated with adjectives used by external partners such as "good" or "democratic" governance can indeed be problematic if full national ownership is to apply not only for the process, but also for the definition of governance. Final remarks included the importance of listening to people's voices and concerns, and of qualitative assessments. It was pointed out that there will always be plurality in methods and purposes, but also of perspectives, and standardization should be contested, however ensuring that robust processes promote alignment and participation in assessments.

Additional Information

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