Governance as a Global Development Goal? Towards Measures for the Post 2015 Development Agenda

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Abstract

Increasing realization that *governance quality* is a fundamental element of long-run development has led to consider it a desirable development goal in itself. To contribute to such process, this paper attempts to set a framework to measure and monitor governance in the Post 2015 Development Agenda. First, we assess whether existing cross-national measures on governance quality can potentially be exploited to capture aspects of legal, bureaucratic and administrative quality. Such a "quick fix" approach to measuring governance quality is fraught with challenges. The current practice of measurement is still subject to the short country coverage of most available measures, issues of comparability and legitimacy, as well as methodological shortcomings. Then, we argue that, in the long run, measuring and monitoring governance quality may require reconceptualizing "good governance" and designing internationally shared measures that are routinely provided by national statistical offices. Finally, we speculate on the approaches to setting governance goals.

Key-words: governance, institutions, development goals, measurement, post-2015 development agenda.

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Introduction

Since the early 1990s, an increasing amount of research focused on the quality of governance as a determinant of national income levels and economic growth rates. Although the effects of the quality of governance on other important development outcomes – such as inequality, health and education – have received less attention, the current consensus is that "good governance", or perhaps more accurately "good enough governance" (Grindle 2004), is a prerequisite for development (e.g., Baland, Moene and Robinson 2010).

The findings of this research have led to increasing recognition of the importance of the role of governance to the point of considering governance a desirable global development goal in itself (see United Nations 2013 and section 2). This paper seeks to contribute to this process by exploring the possibility of setting and routinely measuring and monitoring governance for the Post-2015 Development Agenda. Building on a burgeoning literature, our first task is to review how, and how well, existing databases and measures capture governance quality: which aspects they measure; what and how robust their methodologies are? We examine the trends for measures of legal, bureaucratic and administrative quality. Our second task is to assess to what extent such measures can be used, in terms of both political acceptability and statistical desirability.

We will argue that the idea of "good governance", as often captured, can be a highly controversial one (for example see Sundaram and Chowdhury 2012) and risks neglecting the centrality of context to effective institutional reform (Andrews 2013). Hence, existing measures, while offering a quick solution for the Post-2015 Development Agenda, may not reflect a "politically shared" notion of governance quality. We also argue that we need to think long term: how to develop a professional cadre, setting international standards and getting national statistical offices engaged, so that governance measures become part of a routinised, national statistics activity producing internationally comparable data. This is long term, but it is what the UN has specialised in, and had a lot of success, since 1950 (Ward 2004). It would ensure that the post-2030 development agenda has well thought out and high quality governance measures.

The paper proceeds as follows. Section 2 provides a background discussion on the approaches and controversies of governance quality measurement. Section 3 examines the potential of available indicators to capture governance goals, presenting some statistics. Section 4 discusses the possibility of setting and monitoring governance goals in the Post 2015 Development Agenda. Section 5 concludes.

Measuring governance quality

This section provides the background discussion on measurement and the use of governance measures. This requires two building blocks. Firstly, we need to define the object of measurement and its dimensions. Secondly, we must discuss the methodological issues and the properties of governance measures.

Defining what to measure

The concept of governance is commonly viewed as elusive or as ambiguous and there are no clearly accepted definitions. According to the Oxford English Dictionary, governance is "The manner in which something is governed or regulated; method of management, system of regulations". Detailed discussions of its conceptual underpinnings often conclude there is no widely accepted definition that can be operationalized (e.g., Bevir 2011 and Holmberg et al 2009). The World Bank's definition of governance as "the manner in which power is exercised in the management of a country's economic and social resources for development" (World Bank 1992, 1) is used extensively in the literature. Such a definition fits a multiplicity of dimensions. For example, it may well include the quality of political and economic institutions and policies, which play a crucial role in the functioning of economies.

From such a broad starting point identifying the objects of measurement is not straightforward. Theories of development disagree on which and how many dimensions of governance are crucial to prosperity. The type of governance that promotes it may vary according to the proposed mechanisms through which institutions and policies affects development outcomes: some emphasize the protection of property rights (see Aron 2000; and Tabellini 2005); others point to the role of the state involvement in overcoming coordination failures (e.g., Bardhan 2005); or of protecting specific economic sectors, supporting technological innovation, providing infrastructure and engaging in human capital formation (e.g., Evans 1995). Consequently, the concept of governance must be dissected and mapped according to the functions one deems key to development. A plausible list would include:

- **Bureaucratic and administrative systems**. Whatever we may maintain a state should do to foster development, it needs a bureaucratic apparatus to design and implement policies. This dimension is central to all areas of research on the state and development. Traditionally, state capacity indicators focus on the competence and ability of bureaucracy (e.g., Evans and Rauch 1999 Rauch and Evans 2000), and generally include the ability of raising tax and spending the proceeds efficiently on important public goods.

- **Legal infrastructure**: the capability of a legal framework of enforcing contracts and property rights (i.e., a judicial system for settling disputes, rule of law). The consensus is that, at the very least, the state has to provide such public goods, as they are ill-suited to private provision (Besley and Persson 2009 and 2011; Lin and Nugent 1995; Collier 2009).

- **Accountability.** While there may be disagreement on the appropriate nature of the state in fostering economic development, there seems to be increasing realization on the importance of accountability in shaping the legitimacy of state institutions and the quality of governance. Here, accountability is broadly understood to be about the relationship between the citizen and the state and the extent to which the state is answerable for its own actions and inactions (UNDP 2011). The transparency and accountability component of 'good governance' agenda has been mostly clearly reflected in the post-2015 MDG Goal on Governance in the High-Level Panel (HLP) Report (United Nations 2013). As Box 1 illustrates, all five dimensions of Goal 10: Ensuring Good Governance and Effective Institutions, as formulated in the HLP report, address transparency and accountability, in some degree. It is noteworthy that bureaucratic capacity and legal infrastructure do not seem to figure so clearly in the post-2015 MDG goal on Governance, when there is a large body of evidence that these dimensions of governance matter more for inclusive development (Evans and Rauch 1999; Besley and Persson 2011; Savoia and Sen 2012).

Box 1: The UN High Level Panel's Illustrative Goal for Governance
Goal 10: Ensure Good Governance and Effective Institutions a) Provide free and universal legal identity, such as birth registrations b) Ensure that people enjoy freedom of speech, association, peaceful protest and access to independent media and information c) Increase public participation in political processes and civic engagement at all levels d) Guarantee the public's right to information and access to government data e) Reduce bribery and corruption and ensure officials can be held accountable
Source: UN High Level Panel, United Nations (2013: 50)

- **Type of political institutions**. The broad definition of governance taken as our starting point suggests that political democracy is part of (good) governance. In democracies, citizens and parties enjoy substantial representation and executive power is subject to checks and balances. In such systems, incumbents will tend to promote widespread economic and social development rather than using the state to retain power (Acemoglu and Robinson, 2012). However, the role of democracy is controversial as, historically, developmental states in Asia existed under authoritarian regimes (e.g., Taiwan and South Korea). Indeed, authoritarian regimes differ so greatly that thinking that such a category has analytical utility may be unwise. Whether and how democracy affects the quality of governance remains an open question.

The set of dimensions above is not exhaustive, but it constitutes a starting point. Because of the attention received in the empirical literature, the following discussion will focus mainly on examples of legal, bureaucratic and administrative quality. Measures of democracy are not covered because of their controversiality and the significant empirical evidence that economic and human development goals can be attained in low-democratic and even non-democratic contexts.

Methodological issues

Empirical research on governance quality has designed numerous and diverse measures: on the protection of property rights; quality and performance of the bureaucracy; the administration of justice; and micro and macroeconomic management.[2] This section reviews the methods and findings from such literature.

A popular classification divides governance indicators between *objective* and *subjective* measures (e.g., see Williams and Siddiqui 2008).[3] Early examples of measures constructed from "hard" data try to capture political instability and violence using documented historical records of political assassinations, riots, demonstrations and so forth (Banks 1994). Such

[2] Within the economics tradition, thorough surveys on measuring governance are Williams and Siddiqui (2008) and Kauffman and Kraay (2008). Within the public administration scholarship, an effective review of the debate on public sector performance is Van de Walle (2009). Useful guides to most governance indicators are Besançon (2003) and UNDP (2007).

[3] Its appropriateness is not undisputed. Kaufmann and Kraay (2008) argue that the objective-versus-subjective distinction is somewhat not a very useful one. Measuring governance quality always requires some degree of subjective judgement (even, for example, when selecting the elements of an objective measure). Glaeser et al (2004) argue the opposite case: objective measures are better suited to capture the concept of institutions, which by definition constrain agents' behaviour and evolve slowly.

measures were imperfect proxies of governance and current research has not often used them (see Williams and Siddiqui 2008 and references therein). Perhaps the main limitation of such measures is that they may be outcomes of governance, rather than an assessment of its quality (and may change as result of changes in factors other than reforms in the governance apparatus, e.g., such proxies may reflect the role of national culture and values). A second class of objective measures is rule-based, i.e., constructed by rating the existence and strength of certain formal (*de jure*) rules.

Alternatively, subjective measures are perception-based, i.e., ratings rely on perceptions of the *de facto* functioning of rules, coming from: (i) experts' opinions, e.g., risk-rating agencies, foreign investors, academics or NGOs; and (ii) surveys of national respondents (firms or individual citizens). Surveys have the advantage of capturing the views of domestic agents directly involved in the institutions of the country, but are more expensive to administer and less suitable for cross-country comparability than expert assessments (Williams and Siddiqui 2008).

Which types of measures have the most desirable properties? In terms of the type of methodology, the advantage of rules-based indicators is that they are free from the political or ideological bias that experts' assessments may have. In addition, such measures have the advantage of synthesizing many and diverse formal institutional and policy elements into a single aggregate governance index. However, they could well be vulnerable to gaps between the essence of rules and codes and how they function on the ground (e.g., bribes can be codified as illegal, but no agency actually enforces this law). Hence, perception-based measures should be sensitive to any institutional and policy change: both formal and informal.

An additional limitation, which perhaps applies to all subjective indicators, is that they cannot indicate which specific policy intervention is actually responsible for observed changes in governance quality. Perception-based measures are particularly prone to this problem. To illustrate it, let us consider the International Country Risk Guide (ICRG 2012) and Fraser Institute (Gwartney and Lawson 2007) measures used to assess the degree of legal and administrative quality. Each of their subcomponents is, in principle, different (and could be correlated with different intensity and direction to development outcomes). There is no compelling reason to believe that, for instance, a policy intervention aimed at improving the rule of law affects other aspects of the institutional environment, such as the recruitment of bureaucrats. This may or may not happen, depending on the actual policy and the degree to which this is implemented. Yet, the correlations amongst each of these subcomponents show that all sub-indices are highly and positively correlated among themselves (Table 1).

Table 1: Correlations amongst diverse governance indices

Panel a: correlation among Fraser Institute measures					
	Judicial Independence	Impartial courts	Property rights	Military in politics	Rule of law
Judicial Independence	1.00				
Impartial courts	0.92*	1.00			
Property rights	0.85*	0.84*	1.00		
Military in politics	0.67*	0.69*	0.63*	1.00	
Rule of law	0.71*	0.64*	0.71*	0.64*	1.00
Panel b: correlation among the ICRG measures					
	Bureaucratic Quality	Rule of law	Corruption in Government	Expropriation risk	Government repudiation of contracts
Bureaucratic Quality	1.00				
Rule of law	0.77*	1.00			
Corruption in Government	0.79*	0.74*	1.00		
Expropriation risk	0.69*	0.80*	0.62*	1.00	
Government repudiation of contracts	0.75*	0.79*	0.65*	0.90*	1.00

Notes: * stand for significant at 5% confidence level or higher. Fraser institute indicators are available only for releases after 2000. ICRG indicators refer to the years until 1997, after which *Government repudiation of contracts* and *Expropriation risk* have been discontinued.

This suggests that policy intervention in one area might be perceived as improving the general governance environment, in which case we infer that perception-based indices might have limited power in distinguishing different attributes of governance. However, the correlations in Table 1 alternatively could suggest that there are significant complementarities amongst dimensions of governance (as argued in Besley and Persson 2011), in which case subjective measures would correctly record a simultaneous change in all the components.

Despite these potential limitations, there is scope for using subjective assessments: having a wider range of measures increases the number of dimensions that policy makers can monitor. But one must carefully choose the appropriate measure or combination of measures, if the issue of governance under scrutiny demands. To this aim, Table 2 summarizes types and properties of governance measures. While the governance literature provides a number of potentially useful variables to monitor governance quality, the existing measures are subject to the above caveats. Even when they purportedly capture similar aspects, governance measures should not be necessarily considered interchangeable. As the concept of governance quality remains ambiguous, similar measures may express distinct aspects of governance, as recently demonstrated in Cheibub, Gandhi and Vreeland (2010) regarding political regime measures.

Table 2: classification and properties of governance measures

Type of measure	Objective		Subjective
based on:	Proxies from hard data	*De jure* rules	*De facto* rules
Advantages	Not affected by observer's bias	Not affected by observer's bias; isolates specific governance dimensions	Captures formal and informal rules
Limitations	At best express outcomes of governance; do not address specific governance aspects	May not capture the functioning of informal mechanisms	Affected by observer's bias; unable to isolate specific governance dimensions

Having provided an overview of the methodological issues, we finish the section with some remarks on the construction of a composite index, which would aggregate the dimensions of interest. A synthetic index, while not always desirable for academic research, would be quite useful to policy makers. But this begs the question of how many dimensions should be part of a composite index. Even if one could reach a consensus on which governance dimensions should be included, we would still be left with the task of elaborating an appropriate formula to combine the would-be components. For example, should it be additive or multiplicative?

This can only be decided on the basis of further theoretical foundations on what constitutes governance for development. Meanwhile, policy makers wishing to draw on existing data may be best served by using disaggregated measures – or “dash-boards”.[4] From this, it follows that a useful property of any aggregate governance index is to make its components available. On the other hand, if one believes that there could be complementarities among different elements of governance, further discussion on a composite measure combining different aspects would have greater scope.

Governance measures for the Post 2015 Development Agenda

What are the available measures that could be potentially used for the Post 2015 Development Agenda? Measuring governance quality has gradually become an industry that sees NGOs, research organizations and commercial providers operating in this field. Reviews and guides on governance measurement (e.g., Teorell et al 2013), provide a broader overview of the available databases and measures. This section describes the most representative indicators that are also close to the three areas of governance identified in section two. To see how governance quality has evolved, we also illustrate the trends over time of a set of indicators.

Table 3 gives a snapshot comparison of selected governance indicators. Based on the definition of each index, we have classified them into the three areas of governance quality discussed above. Three facts stand out: (i) the current practice of measuring governance quality seems to privilege methodologies based on a subjective approach; (ii) policy makers interested in the areas of legal capacity and bureaucratic and administrative quality can choose from a variety of indicators (but this is less the case for the accountability dimension);

[4] Pilots use several forms of data when landing an aeroplane – a single, weighted index of height, speed, wind, fuel etc. would be useless for them. Is governing a country effectively less complicated than landing a plane?

(iii) efforts to provide comparable governance measures often face the constraint of limited country coverage.

Table 3: Governance quality, comparing selected indicators			
Index and source	**Methodology**	**Coverage**	**Data**
Bureaucratic and administrative quality			
Bureaucratic quality, ICRG (2012)	Subjective. Experts' assessments which indicate autonomy from political pressure and strength and expertise to govern without drastic changes in policy or interruptions in government services and also the existence of an established mechanism for recruiting and training.	145 countries	Panel, 1984-2011
Quality of Government, (Teorell et al. 2013)	Subjective. It is the mean value of the ICRG variables "Corruption", "Law and Order" and "Bureaucracy Quality", scaled 0-1. Higher values indicate higher quality of government.	145 countries	Panel, 1984-2010
Government effectiveness, WGIs (World Bank 2011)	Subjective. Expert assessments and surveys. It captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. Aggregating components from various sources. Continuous, original scale: -2.5 to 2.5.	202 countries	Panel, 1996-2011
Impartiality and Professionalism of Public Administration - Teorell et al. (2008)	Subjective. Quality of Government Institute survey on the quality and behavior of the public administration	58 countries	Cross-section, 2008-2009
Bureaucratic compensation, *career opportunities* and *meritocratic recruitment* - Evans and Rauch's (1999, 2000)	Subjective. Experts' survey (academics and non) answering questionnaires on "Career Opportunities", "Bureaucratic compensation and "Meritocratic recruitment". The three measures are equal-weight indices of a subset of questions eliciting evaluations on recent history (roughly 1970-1990 period), ranging all from 0 to 1.	35 less developed economies	Cross-section, 1970-1990
Regulatory quality, WGI (World Bank 2011)	Subjective. Expert assessments and surveys. Aggregating components from various sources. It captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. Continuous, original scale: -2.5 to 2.5.	202 countries	Panel, 1996-2012
Quality of public administration - Country Policy and Institutional Assessments (World Bank 2002)	Subjective. Expert assessment of the extent to which civilian central government staffs (including teachers, health workers, and police) are structured to design and implement government policy and deliver services effectively.	77 less developed economies	Panel, 2005-2011
Quality of budgetary and financial management - Country Policy and Institutional Assessments (World Bank 2002)	Subjective. Experts assessment of the extent to which there is: (a) a comprehensive and credible budget, linked to policy priorities; (b) effective financial management systems to ensure that the budget is implemented as intended in a controlled and predictable way; and (c) timely and accurate accounting and fiscal reporting. The index ranges between 1 (lowest) and 6 (highest).	77 less developed economies	Panel, 2005-2011
Implementation and enforcement index (Berkman et al 2008)	Subjective measure of countries' ability to implement and enforce regulations and policies, as well as collecting taxes. It is the average of experts' evaluations and survey responses measures from the BTI, the Global Competitiveness Report and the Columbia University State Capacity Survey.	152 countries	Cross-section, 1990-2006 average
Efficiency of revenue mobilisation - Country Policy and Institutional Assessments (World Bank 2002)	Subjective. Expert assessments of the overall pattern of revenue mobilization, not only the tax structure, as it exists on paper, but revenue from all sources as they are actually collected. The index ranges between 1 (lowest) and 6 (highest).	77 less developed economies	Panel, 2005-2009
Legal capacity			
Steering capability, BTI, Bertelsmann Foundation (2011)	Subjective. Expert assessment evaluating to what extent the political leadership sets and maintains strategic priorities; how effective the government is in implementing reform policy; how flexible and innovative the political leadership is; and if the political leadership learns from past errors.	119 less developed economies	Cross-section, 2006
Quality of Legal System and Property rights, Fraser Institute	Subjective assessment combining survey and exerts' opinions, ranging between 1 and 10; a higher score corresponds to a stronger protection of private property rights.	139 countries	Panel, 1970-2008
Continued below			

Rule of law, WGI (World Bank 2011)	Subjective. Expert assessments and surveys. Aggregating components from various sources. Continuous, original scale: -2.5 to 2.5. It captures perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.	202 countries	Panel, 1996-2010
Rule of law, ICRG (2012)	Subjective. It reflects the degree to which the citizens of a country are willing to accept the established institutions to make and implement laws and adjudicate disputes, its scores evaluate soundness of political institutions, the strength of the court system, and the provisions for an orderly succession of power, as opposed to a tradition depending on physical force or illegal means to settle claims.	145 countries	Panel, 1984-2011
Accountability			
Voice and Accountability, WGI (World Bank 2011)	Subjective. Expert assessments and surveys. Aggregating components from various sources. It captures perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media. Continuous, original scale: -2.5 to 2.5.	202 countries	Panel, 1996-2010
Source: authors' compilation.			

Given its most extensive geographical coverage stretching over two hundred countries, influential articles on governance and development (e.g. Rodrik et al. 2004) have also utilized data from WGIs (World Bank 2011). Three out of six WGI indicators may be seen as proxies for legal and administrative capacity of the state: *rule of law*, *regulatory quality* and *government effectiveness*. A fourth one is a proxy for the level of accountability of state institutions, *Voice and Accountability*, which in practice is constructed by bringing together democracy, human rights and media freedom measures. These are all subjective measures, which combine both types of subjective information from experts and public opinion surveys, trying to increase country coverage and reduce measurement error by aggregating the ratings from over thirty organizations.

Bearing in mind that the inference of time trends may reflect, as Arndt and Oman (2006) and Kauffman et al. (2009) warn, changes in the number of underlying data sources used, table 4 shows that governance quality in the new millennium has been stable in both rich and developing countries. Hence, the gap amongst the groups is stable. A second stylized fact is that, along all four dimensions, the developed economies are a more homogenous group than developing economies, which show greater variability in governance quality over the period.

Table 4: Governance quality the world around: World Governance Indicators, 2000-2010				
Panel (a): *Voice and Accountability*				
Year		**2000**	**2005**	**2010**
Whole sample	Mean	4.90	4.95	4.96
	CV	0.41	0.41	0.41
	N	194	200	201
Advanced Economies	Mean	7.45	7.58	7.39
	CV	0.11	0.11	0.11
	N	30	30	30
Developing Economies	Mean	4.25	4.23	4.26
	CV	0.39	0.38	0.39
	N	132	138	140
Transition Economies	Mean	4.35	4.33	4.28
	CV	0.43	0.48	0.51
	N	32	32	31
Panel (b): *Government Effectiveness*				
Year		2000	2005	2010
Whole sample	Mean	4.99	5.02	5.03
	CV	0.41	0.40	0.40
	N	193	200	200
Advanced Economies	Mean	8.26	8.22	8.08
	CV	0.12	0.11	0.11
	N	30	30	30
Developing Economies	Mean	4.16	4.10	4.11
	CV	0.33	0.34	0.35
	N	131	138	139
Transition Economies	Mean	4.31	4.55	4.65
	CV	0.32	0.34	0.34
	N	32	32	31
Panel (c): *Regulatory Quality*				
Whole sample	Mean	4.95	5.00	5.04
	CV	0.41	0.40	0.40
	N	193	199	200
Advanced Economies	Mean	7.79	7.81	7.86
	CV	0.10	0.08	0.09
	N	30	30	30
Developing Economies	Mean	4.24	4.14	4.09
	CV	0.37	0.36	0.35
	N	131	137	139
Transition Economies	Mean	4.28	4.63	4.93
	CV	0.42	0.42	0.40
	N	32	32	31
Panel (d): *Rule of Law*				
Whole sample	Mean	4.90	4.94	4.99
	CV	0.41	0.40	0.40
	N	193	200	201
Advanced Economies	Mean	7.93	7.95	8
	CV	0.10	0.11	0.10
	N	30	30	30
Developing Economies	Mean	4.15	4.13	4.07
	CV	0.36	0.37	0.35
	N	131	138	140
Transition Economies	Mean	4.10	4.20	4.43
	CV	0.34	0.32	0.36
	N	32	32	31

Notes: data is from World Bank (2011) and the variables are rescaled to lie between 0 and 1. The trends are very similar also when the same statistics are calculated keeping the sample size equal to the one in the initial year and constant over time. Countries' classification follows the IMF system: based on per capita income level, export diversification and degree of integration into the global financial system (http://www.imf.org/external/pubs/ft/weo/2011/01/weodata/groups.htm, accessed on 25/8/2011).

We also examine two further databases that, measuring legal and administrative quality, allow to observe governance over the longest period: the *Quality of Government*

(QoG) index assembled by Teorell et al. (2013) and the *Quality of Legal Structure and Security of Property Rights index (QoLSSPR)* (Gwartney and Lawson 2007). In both cases, the ratings come from subjective assessments of foreign investors and business experts.

The *QoG* is calculated as the average of *rule of law*, *corruption in government*, and *bureaucratic quality* indices from various editions of the International Country Risk Guide (ICRG 2012). It spans from 1984 to 2010 and is rescaled to lie between 0 and 10. This index is perhaps the closest to the measures of governance quality that are implicit in the Governance Goal in the HLP report, particularly in its rule of law and anti-corruption dimensions. However, the fact that it is expressing the views of the business community may raise concerns over its representativeness and legitimacy.

The *QoLSSPR* is, instead, a useful proxy for legal capacity. A component of the *Fraser Institute index of Economic Freedom,* such variable is continuous and ranges between 0 and 10, with a higher score corresponding to higher quality. It has been recorded every five years from 1970 until 2000 (and every year from 2001 on). Unfortunately, it samples fewer countries than the ICRG database and it has been assembled over the years from different sources – essentially from commercial ratings produced by the business community: the ICRG, the Business Environment Risk Intelligence and the Global Competitiveness Report – and has undergone some changes in definition, although the underlying concept remains unchanged (see, for details, Gwartney and Lawson 2007). Table 5 shows the trends in advanced, developing and transition economies over 2000-2010. Like in the WGIs case, the first stylized fact is the gap in governance quality between advanced economies and the rest remains wide and stable. And also in this case both measures show that advanced economies remain a more homogenous group than developing and transition economies.

Table 5: Governance quality the world around: 2000-2010				
Panel (a): *Quality of legal structure and security of property rights* index				
Year		**2000**	**2005**	**2010**
Whole sample	Mean	5.83	5.85	5.60
	CV	0.33	0.30	0.29
	N	123	139	142
Advanced Economies	Mean	8.34	8.17	7.64
	CV	0.14	0.11	0.12
	N	30	30	30
Developing Economies	Mean	4.87	5.05	4.84
	CV	0.27	0.28	0.27
	N	78	86	87
Transition Economies	Mean	5.82	5.73	5.69
	CV	0.14	0.17	0.12
	N	15	23	25
Panel (b): *Quality of Government* index				
Whole sample	Mean	5.65	5.28	5.37
	CV	0.36	0.39	0.38
	N	140	140	139
Advanced Economies	Mean	8.55	8.42	8.44
	CV	0.14	0.14	0.13
	N	30	30	30
Developing Economies	Mean	4.67	4.24	4.37
	CV	0.29	0.30	0.28
	N	87	87	87
Transition Economies	Mean	5.45	5.05	5.06
	CV	0.29	0.22	0.23
	N	23	23	22
Notes: data is from Qwartney and Lawson (2007) and Teorell et al (2008). The trends are very similar also when the same statistics are calculated keeping the sample size equal to the one in the initial year and constant over time. Countries' classification follows the IMF system: based on per capita income level, export diversification and degree of integration into the global financial system (http://www.imf.org/external/pubs/ft/weo/2011/01/weodata/groups.htm, accessed on 25/8/2011).				

Governance quality appears to be a slow-changing phenomenon and it should also be analysed over a longer period. Figure 1 below provides further details of the *QoG* and *QoLSSPR* by disaggregating the developing countries group by region. The end of the Cold War was accompanied by sharp improvements in governance quality, suggesting that it has been a positive shock. *QoG* shows a spike for all groups of countries in the mid 1990s, where all regions of the developing world seem to move closer to the advanced economies. But the subsequent worsening slows this process, although some convergence seems to have occurred. The *QoLSSPR* presents a similar evolution across regions. The group of countries that has improved governance quality most compared to its initial level is the MENA region (followed by Latin America), in terms of the *QoLSSPR*, and Asia (followed by Latin America), in terms of the *QoG*. Note also that in both cases the transition economies have experienced a significant decrease in governance quality after the end of the Cold War.

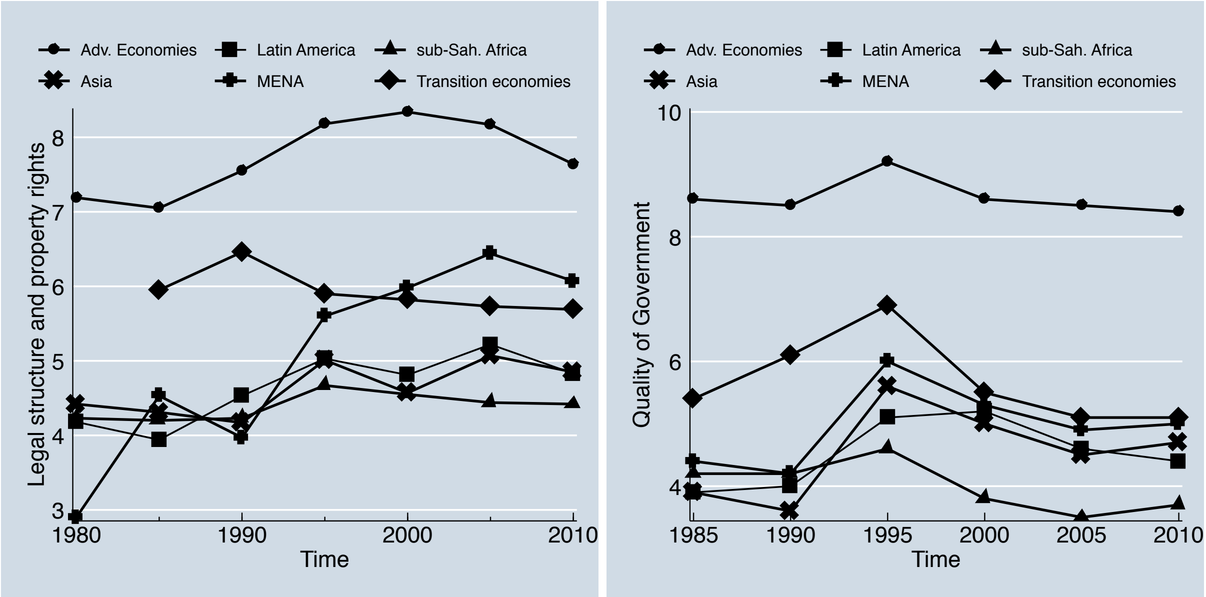

Figure 1 – Governance quality time paths by level of development

Apart from providing some stylized facts, the evidence in this section illustrates the difficulties faced by policy makers wishing to monitor governance for the Post 2015 Development Agenda. Figure 1 reveals that changes in the quality of governance and legal structure and property rights are relatively slow. Changes in governance quality originate from institutional changes. These are long-run phenomena that are best monitored with relatively low frequency data. Attempts to measure such variables on an annual basis may be as likely to change because of measurement error as much as substantive change. This suggests that monitoring of such indicators might be best framed as every five years (and not annually) or as a three year rolling average.

Finally, if 2005 is selected as the 'start' of the monitoring period for achieving post-2015 goals (as was the case with the MDGs with a 1990 'start' for goals set in 2000), then the only available database that can provide measures for all the UN's 193 member countries, and for three governance dimensions identified here, is the WGIs. However, amongst the limitations of such database, one would still have to address concerns of comparability over time (see Arndt and Oman 2006), as the secondary datasets they draw from have changed over time.

Data from commercial organizations is only available on approximately 140 of the UN's 193 member countries. Moreover, the possibility of reconstructing the data for missing countries is quite limited, if not impossible, for measures adopting a subjective approach.

Monitoring governance: which way? Options and choices

This section first reflects on the challenges facing measuring and monitoring governance: finding a "politically acceptable" dimension(s) of governance, which is consistent across countries and over time. The second task of this section is to set the scene for the long term, i.e., developing the capabilities for cooperative and routinized production of governance measure in UN member countries.

Thinking short term

The Post 2015 Development Agenda, following the results-based management principles that underlay the MDGs, seeks to have 'SMART' goals and targets – specific, measurable, attainable (but stretching), relevant and time-bound (Hulme 2010). For the contemporary timetable (i.e., 2015), monitoring governance must therefore rely on one or more existing measures and databases. Apart from the methodological and data quality problems discussed earlier, this approach presents a number of further challenges.

Firstly, most governance databases do not include a significant number of developing countries. Apart from the WGIs, a significant number of available governance measures, especially those produced by political risk consultancies for a clientele of foreign investors (e.g., the ICRG), are not comprehensive. Apart from coverage problems, using commercial organizations data may also raise issues of legitimacy, as they reflect solely the views of the business community.

Second, as Kauffmann and Kraay (2008) have stressed, governance measures can be subject to measurement error as the “true” concept of governance one would like to measure is difficult to define. Therefore assessing specific governance aspects in different countries could face problems of comparability across countries and over time. Even the most trusted measures are not immune to this. However, future empirical analysis could explicitly examine this problem, so shedding further light on the degree to which measurement error and conceptualization may shape changes in a measure.

Third, one should reflect on which governance dimensions and measures should be included. There are two ways to approach this issue. One could argue that good governance has an intrinsic value in itself, similar to Goal 2 in the post-2015 goals proposed by the HLP, which is on the empowerment of girls and women. Such an approach takes the Universal Declaration of Human Rights as the basis for good governance, which as the HLP report notes, ‘sets out the fundamental freedoms and human rights that form the foundations of human development’ (United Nations 2013, 30). Or one could argue that good governance has instrumental value, and that improvements in governance quality has tangible effects on both material and non-material dimensions of economic development. For the former, measures of governance that capture the nature of state-society relations, or of the degree of state legitimacy and accountability, would take precedence in the development of indicators for the post-2015 goals. For the latter, a good starting point is to base such a choice on the empirical literature using governance measures to estimate their effects on development outcomes. Findings from econometric analyses at cross-country level in this area are mainly aimed at explaining economic growth and national income levels, focusing on the contracting and legal environment, suggest that protection of private property rights is positively and robustly associated with national income levels. However, even if most would agree that property rights institutions are crucial to get incentives right, protecting private property rights represents a political challenge: this literature is not clear on whose property rights one should protect (e.g., peasants or landlords, capitalists or workers, foreign or domestic investors, etc.). Moreover, other important development outcomes, such as inequality, health, education and poverty, have received scant attention so far within this line of research.

Recent research tends to highlight the instrumental value of governance. This literature, which builds on the well-established literature on developmental states (e.g., Evans 1995; Evans and Rauch 1999; and the collection of articles in Lange and Rueschemeyer 2005), increasingly recognizes the importance of *state capacity* as a fundamental ingredient for economic development. Approaching governance from this angle would suggest that the focus in the post-2015 goals should be on indicators that capture the administrative and legal capabilities of states. However, this still poses a significant measurement challenge, as there is no universally accepted measure of state administrative and legal capabilities. Existing measures such as the WGIs, the ICRG measure of bureaucratic quality or the Evans-Rauch measure (which captures the Weberian properties of the bureaucracy) have both strengths and weaknesses. The WGIs are non-comparable over time as recalled in the previous section. The ICRG and the Evans-Rauch measures are perception based and depend on the opinions of a limited set of experts. As Fukuyama (2013) has argued, the Evans-Rauch measure is the closest to what we understand by state capacity – "the government's ability to make and enforce rules, and to deliver services" (Fukuyama 2013, 387). Under this definition, governance is about "the performance of agents in carrying out the wishes of principals, and not about the goals that principals set" (ibid). While the Evans-Rauch measure may be the most desirable from a theoretical standpoint (if we agree with Fukuyama's definition), it is handicapped by the lack of time-series data, and the very limited coverage of countries (30 countries). One important issue here for further discussion is that if indeed we were to base a measure of governance on the Evans-Rauch approach, how would we go about conducting the expert surveys which form the basis of the measure, and how can we make sure that most, if not all, developing countries are covered by this measure.

Thinking long term: towards 2030

The idea of setting governance goals for the post-2015 Development Agenda, and subsequently monitoring them has important implications for the long-term development of comparative governance measures that are recognized as authoritative by all (or at least the vast majority) of UN member states. Including governance goals in the Post 2015 Development Agenda has potential advantages for the evolution and institutionalization of governance statistics: but, it also has dangers.

On the positive side, the inclusion of governance goals (or targets or indicators) would increase the pressure on governments, bureaucracies, professionals/researchers and civil society to collect relevant data and improve the quality of such data. Arguably, the greater availability of such data would lead to a greater focus on improving governance.

On the negative side, the rapid selection of a measure(s) to meet the 2015 deadline might:

- Lead to the selection of a sub-optimal measure from 'what is available'. This would mean that the interpretation of changes in governance in the future would be challenged both technically (the measure is flawed) and politically (the measure is ideologically biased against some countries).
- Damage the long-term evolution of a professional cadre of 'governance statisticians'; of widely accepted standards and measures for governance; and, the institutionalization of governance measures as a routinize part of national and international data collection and analysis.

In an ideal world, those engaged in setting the Post-2015 Development Agenda would carefully assess the trade-offs of focusing on the short term task of identifying measures for 2015 against the long term task of institutionalizing top quality governance statistics across the world. In the world we live in, leaders in this field may need to focus on developing 'the best measures we can for 2015' while setting in motion processes that will promote the institutionalization of governance statistics longer term. One 'governance target' would be that by 2020 all UN member states can produce a basic set of governance statistics that meet an international standard. One of the great successes of the UN system – but a 'quiet success' – has been its contribution to the evolution of globally accepted statistical measures, quality standards, statistical professionals and national statistical capacities (Ward 2004).

Approaches to Setting Governance Goals

Finally, mention must be made about the different ways in which governance goals/targets/indicators could be set. The MDGs used a number of different types of target[5].

(i) *Percentage reductions/improvements in outcomes* - Most common were percentage reductions in bad outcomes (e.g., halving income poverty, reducing child mortality by two-thirds).

(ii) *Universal outcome achievement* - Also common was the universal achievement of some targets by 2015 (e.g., universal primary education, elimination of gender disparities in education, full employment, universal access to reproductive health).

(iii) *Absolute outcome achievement* - Less common, and rather strange because of its arbitrariness, was the setting of absolute global targets (e.g., significantly improving the lives of 100 million slum dwellers).

[5] In addition to setting targets the MDGs also informally utilised a comparative performance approach to target achievement. By listing countries that were 'on' and 'off' track for target achievement a 'league table' element was brought into play.

(iv) *Process-based targets* - There were also a number of 'process-based' targets for issues that were hard to quantify and/or were politically controversial. These did not set outcome targets but called for improved national and/or global processes (e.g., the integration of sustainable development principles into national policies, the development of a fairer global trading and financial system, action to address the needs of the least developed countries).

For governance targets one could also identify at least two other forms of target.

(v) *Minimum standard with continuous improvement* – that a universal minimum standard be achieved by a set date but that all countries should be continuously improving on their achievement (so that all countries achieve the minimum target but no country can 'relax').

(vi) *National target-setting* – that all countries agree to a goal but that some form of inclusive, national decision-making process sets the actual target (so that targets are not 'imposed from above').

Careful consideration will also need to be given to the issue of what types of goals and targets are best for governance. Given that many governance goals and targets are about improving processes, approaches (iv), (v) and (vi) may be most suitable. However, as with Goal 8 of the MDGs, such approaches may have the weakness that they lack specificity and can be side-lined by member states. (Of course, this weakness may be 'strength' if the overarching pressure is on reaching political agreement but some countries are strongly resisting very specific targets).

Conclusions

This paper has offered an overview of the strengths and limitations in current empirical research on governance measurement and their implications for setting governance goals and targets in the Post 2015 Development Agenda. Of particular significance are ongoing debates about whether good governance is good for development and/or, whether good enough governance is the best to which nations can aspire.

It will be important for those engaged in improving governance to think both short term and long term about setting, measuring and monitoring governance goals/targets. We have argued that, in the short term, existing measures on governance quality used in cross-national research can be exploited by policy makers shaping the post-2015 development agenda to capture aspects of legal and administrative capacity. We have utilized them to provide stylized facts on its evolution. However, such approach is subject to a number of challenges, e.g., country coverage, data comparability and concepts of governance measured. Therefore, setting and monitoring governance goals should be seen as planning for the long run. Longer term, policy-makers need to think about how the selection of goals/targets for the post 2015 agenda can go beyond rapidly creating Goal 10 of the HLP's Illustrative Goals and foster the institutionalization (measures, methods, standards, training, professional accreditation) of high quality governance statistics at national and international levels. The post 2015 development agenda is only one early step along the route to establishing measures of governance as a routine statistical artefact, as has happened with the economic and social statistics that we take for granted today.

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