

OXFORD

The Governance Report 2013

Sovereignty
Fiscal Policy
Innovations
Trade-Offs
Indicators



Hertie School of Governance

V. Introducing a New Generation of Governance Indicators

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The preceding chapters in the Report presented conceptual frameworks for governance performance and readiness, and used insights from organisational studies to approach governance innovations. Their combined purpose is to provide a foundation for developing an indicator system measuring, once fully developed: governance readiness in relation to governance requirements, and the gap between what is in place currently and what would be required given current and future governance conditions; governance performance in relation to policy outcomes and welfare effects, as seen in the interplay between legitimacy, efficacy and effectiveness; and innovativeness to assess the degree to which different actors in governance systems generate new ideas and approaches.

Attempts to quantify governance have grown in scale and scope as well as sophistication. An impressive array of indicators and measures have become available that prominently include the World Bank Institute's Worldwide Governance Indicators, Transparency International's Corruption Perceptions Index, the Revenue Watch Index, the World Economic Forum's Competitiveness Index, Bertelsmann's BTI, the Legatum Prosperity Index, and the Ibrahim Index of African Governance, among others.¹ And while we recognise the significant gains made in the brief history of governance indicators, we do nonetheless see important limitations in available indicators and their approach to measuring governance.²

Available indicators do not take the fundamental notion of governance as multi-sector, multi-actor systems seriously.

One basic limitation is that available indicators do not take the fundamental notion of governance as multi-sector, multi-level systems seriously. Indicators tend to suffer from what has been called methodological nationalism in that they only consider the nation state as the appropriate unit of analysis, and neglect the importance of supranational dynamics (e.g. UN system, EU) and the subnational level (e.g. cities, regions).³ Private actors, especially the role of transnational corporations, international NGOs, and civil society organisations, generally feature at the margins, if at all.

Next, they concentrate on dimensions internal to the country in question. As a result, the interdependencies of governance that underlie much of this Report are neglected and too easily escape empirical attention. Finally, conventional governance indicators tend to focus primarily on the capacity

of state administrations and public sector ills such as corruption or failures to implement some kind of regulation or another. At most indirectly do they address the overall fit between governance requirements and the governance systems in place, and, if they try to show what difference governance makes, they focus on broadly defined concepts like prosperity and development or simpler measures like economic growth. Our aim is to focus more directly on the links between legitimacy, efficacy and effectiveness, and performance.

The purpose of this chapter is not to dismiss prior efforts and question their usefulness altogether. Rather, the analysis of the state and conditions of governance presented in the preceding chapters calls for a new generation of indicators that go beyond a singular focus on seemingly self-contained nation states as the primary unit of analysis, that are grounded in conceptual models, and that stay close to the governance problématiques of our times, especially the notion of interdependence. Of course, building such a system will take time and effort, to be sure, and will require the sustained attentions of future editions of this Report. What then, is this new generation of governance indicators we propose?

Towards a Governance Indicator System

Like any indicator system, its purpose is to offer an empirical portrait of the key dimensions of the phenomenon under consideration—in this case, governance. The system has to meet three basic requirements: it has to take the fundamental notion of governance as a multi-actor and multi-level system seriously; it has to address interdependence; and it has to have an analytic and policy-oriented focus, and be more than description. In other words, the indicator system, once developed and tested, could be applied to different actors (international organisations, states, corporations, civil society organisations) and across different levels (international and regional systems, nation states, or cities) and policy fields—and show or otherwise reveal interdependencies. And, in terms of focus, the system should take account of the central governance issues that are the mainstay topics of this Report: readiness, performance, and innovativeness.

One can easily imagine the complexity of any such system, and indeed anticipate the danger that it might become unwieldy. Against this background, it is useful to keep a number of methodological ‘best practices’ in mind:⁴

- Parsimony, i.e. ‘achieving most with least’ by aiming for design simplicity;
- Significance, i.e. focusing on the truly critical aspects of governance and its relationships;
- Conceptual focus, i.e. developing a system that improves understanding and generates knowledge; and
- Policy relevance, i.e. selecting indicators useful for policy analysts and policymakers alike.

The conceptual models introduced earlier in this Report serve as central building blocks for three indicator systems: governance readiness, governance performance, and governance innovation. Specifically:

The governance requirements described in Chapter 2 can be developed into an **indicator system of governance readiness**. As its unit of analysis, the governance readiness system puts primary focus on actors, be they at supranational, international, national, regional or municipal levels. A version of the indicator system could measure the readiness of corporate and civil society actors. The system would distinguish between governance requirements that are essentially compatible with the existing institutional governance framework as well as the given political and socio-economic constellations (GR1 to GR3), aiming at the maintenance, improvement or modification of established governance functions within existing governance systems; and governance requirements that do not fit into existing governance contexts (GR4 to GR6), requiring innovations that change features of a particular governance system.

Table 5.1 offers an initial operationalisation of the six governance requirements by listing sample dimensions to guide indicator development. Recall that while Figure 2.2 in Chapter 2 presents the case of governance readiness globally, one can also think of a hypothetical country ranked by each of the six readiness indicators, where a value of 100 would indicate full readiness, and lower values increasing levels of un-readiness.

By contrast, the **governance performance model** emphasises policy fields such as education, the environment, or finance. It can also be used to assess the performance of a particular actor such as national and municipal governments as a whole, but its primary focus is the policy field.

As pointed out in Chapter 1, the performance of a governance system, as the outcome, depends on three crucial aspects and their interrelationships: legitimacy, efficacy, and effectiveness. The legitimacy of a governance system in place becomes a positive and negative reinforcer that magnifies the effects of efficacy and effectiveness on performance, and feeds back to legitimacy itself. As a result, governance systems can find themselves in downward spirals when losses in performance and legitimacy reinforce each other; it can also enter a stage where gains in either strengthen the other, thereby improving performance and fostering legitimacy to achieve greater stability.

For most applications of the performance system, the unit of analysis is the policy field, whereas the units of observation are the main actors and stakeholders operating in that field. Indicators would be measures in terms of the legitimacy actors enjoy, how efficacious and effective they are, and their contribution to policy outcomes in the sense of performance, defined as the capacity of the governance system to meet set goals, or at least attain a level of performance seen as satisfactory by key stakeholders to maintain stability over time. By contrast, bad governance is indicated by underperforming and unstable systems.

Table 5.1 Governance Readiness Indicator System

| Governance Requirement (GR) | Sample Indicators | | |
|--|--|---|--|
| | Nation state | Private corporation | International NGO |
| GR1: Averting the risk of dual—market and state—failure | Internal administrative capacity Accountability and transparency Regulatory implementation track record Compliance enforcement Monitoring system Knowledge generation Use of positive and negative incentives Independence, functioning of legal system Anti-corruption measures | Due diligence Conflict of interest policy Anti-corruption measures Accountability and transparency Rules governing lobbying Tax behaviour Violations of laws and regulation | Due diligence Conflict of interest policy Anti-corruption measures Accountability and transparency Rules governing lobbying Tax behaviour Violations of laws and regulations |
| GR2: Correcting fairness deficits | Joint consultations Monitoring and reporting Transnational agenda-setting Voting record in international bodies Participatory decision-making Creating regional partnerships | CSR and international responsibilities | Contributions to global fairness and justice |
| GR3: Strengthening externality management | Formulation of national strategies national progress reports Reporting and monitoring, rating and ranking Conditionality attached to foreign aid and loans | Reporting spill-ins and spill-outs caused In-house prevention and early warning system Contract regimes CSR includes externality management | Detecting and monitoring externalities, watchdog Pushing agendas |

| Governance Requirement (GR) | Sample Indicators | | |
|--|--|--|--|
| | GR4: Promoting issue-focus and result-orientation | Improving single-issue mechanisms for international cooperation Development of new mechanisms Creation of administrative and diplomatic capacity Creation of adequate regulatory capacity | Seeking improvements to above Improve national CSR |
| GR5: Recognising and promoting synergies | Pointing to issue-linkages and creating mechanism, e.g. peace and development Establishment of global leadership bodies Support of global institutions and commons | International CSR | Creating and shaping debates Establishing global leadership bodies with civil society voice |
| GR6: Taking account of policy interdependence | Recognition in political agendas of the importance of global, multilateral approaches to global challenges Concrete proposals at national and international levels Resourcing global agenda setting, proposals Pledges of new and additional resources to meet new and as yet unaccomplished challenges | Global CSR Recognition of global responsibilities as part of corporate strategy, including investment | Creating a global civil society infrastructure and agenda Resourcing |

Table 5.2 Governance Performance Indicator System

| Sample Indicators | | | |
|----------------------|--|---|--|
| | Nation state | City government | Private organisation |
| Efficacy | Problem definition and framing | Problem definition and framing | Corporate strategy In-house planning units |
| | Solutions and concrete proposals | Solutions and concrete proposals | Knowledge management |
| | Knowledge base, policymaking capacity | Knowledge base, policymaking capacity | R & D |
| | Resourcing | Working relations with regional and other governments Resourcing | Adequate oversight structures Role of business associations Resourcing |
| Effectiveness | Administrative capacity | Administrative capacity | Administrative capacity |
| | Regulatory capacity and sanctions | Regulatory capacity and sanctions | Change management capacity |
| | Implementation capacity | Implementation capacity | Resource management |
| | Resource management | Resource management | |
| Performance | Overall performance | Overall performance | Performance criteria (e.g. triple bottom lines) |
| | Attainment of set goals in policy field | Attainment of set goals in policy field | Investments |
| | Other relevant achievements | Other relevant achievements | |
| | Stability overall and in regulatory system applied to policy field | Stability overall and in regulatory system applied to policy field | |
| Legitimacy | Degree to which national government and its main agencies are seen as legitimate | Degree to which municipal government and its main agencies are seen as legitimate | Legitimate corporate governance |
| | Violations of laws, regulations | Violations of laws, regulations | Violations of laws, regulations |
| | Role of loyal and disloyal oppositions | Role of loyal and disloyal oppositions | Trust in corporations, confidence |
| | Elite capture and role of special interests and constituencies | Elite capture and role of special interests and constituencies | Stability of key corporations |

Table 5.2 offers an initial operationalisation. Of course, actual indicators would have to be adapted to the requirements of the policy field under consideration, especially as the performance model has a time dimension built in. As a system based on a process model, a baseline for each of the three components (legitimacy, efficacy, and effectiveness) is needed to allow for the measurement of changes, and therefore of the direct and indirect relations involved. Figure 5.1 offers a hypothetical and stylised result of such a baseline governance performance analysis.

The third indicator system is about **governance innovation**. Here the unit of analysis is either the innovation itself or the actors involved. For the former, indicators would measure different attributes in terms of what kind of innovation, in what field, involving what actors and level as well as in terms of scalability and replicability records and potential; and for the latter, they would measure different dimensions of innovativeness and their characteristics. Most likely, some form of broad-based expert survey could yield the data required.

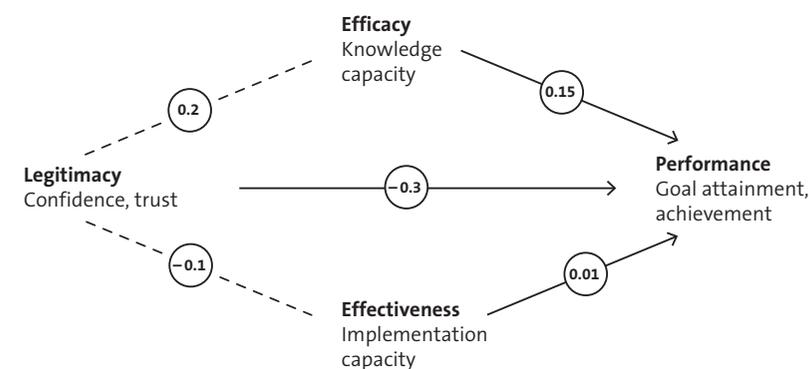


Figure 5.1: Governance performance showing baseline measurement

Of course, developing and testing any of the three systems will take time and require sustained effort. We will, in the course of these annual reports, present regular updates as the systems expand in terms of indicators and improve in data coverage. In the balance of this chapter, however, we will present initial results for some aspects of the three systems, however incomplete.⁵

Dashboards

How to present indicators? Clearly, each of the three systems goes beyond a simple listing of countries and some particular indicator, as many conventional indicator systems do. Of course, it will be of interest to learn which countries, cities, corporations or NGOs are ranked how by some indicator or another; and which country or city fares better and which ones worse when it come to governance. We will list the various indicator tables on the Report's website, with sample rankings, data quality and availability permitting.

Of greater import, however, are not the rankings per se, but the relationships among indicators. For this end, we develop sets of thematically-related indicators, called 'dashboards' or 'suites'⁶ that are to serve as repositories from which the analysis of the three models can draw. In other words, the main purpose of the dashboards is to offer inputs and data for different kinds of analysis. In some instances, it will be possible to express indicator relationships using statistical analysis; in others, data limitations may invite more qualitative assessments.

We have been able to develop three dashboards (see Tables 5.3a–5.3c for sample indicators), and we hope to improve these and add others in future editions:

- The **Transnational Governance Dashboard** is about the governance behaviour of countries in the context of international organisations such as ratification of international treaties and voting behaviour in the United Nations General Assembly. We also focus specifically on the production of important global public goods: environmental protection and peacekeeping.
- The **National Governance Dashboard** relates to administrative state capacity; expertise and knowledge resources; and civil society. We estimate administrative state capacity with various measures of effectiveness (e.g., the degrees of professionalism and impartiality of the bureaucracy), efficacy (the expertise and knowledge resources available to government for governance), and the strength of civil society as a third force next to the state and business.
- The **City Governance Dashboard** focuses on large metropolitan areas, and concentrates on four central themes of city governance: social capital and trust; quality of institutions; public good provision; and corruption.

In the balance of this chapter, we draw from these dashboards to present first applications and initial results for each of the three governance indicator systems, with more material available on the Report website and in the relevant chapter (Stanig, forthcoming) of the edited volume.

Table 5.3a Transnational Governance Dashboard—Sample Indicators

| Focal Theme/ Dimension | Main Indicators | Description |
|---------------------------|---|---|
| Kyoto Protocol | Actual reduction vs. target reduction of greenhouse emissions, by country | Difference between actual reduction in emissions and commitment, relative to baseline emissions |
| WTO | Antidumping measures enacted against country | (Log) number of antidumping measures enacted against country (dumping defendant) |
| | Antidumping measures enacted by country | (Log) number of antidumping measures enacted by the country (accuser) |
| | Openness of economy, by country | Total value of imports and exports, in US\$ |
| UN General Assembly | Voting on the Palestine question, by country and over multiple years | Ideal point estimate on latent dimension dealing with the Middle East conflict |
| | Voting on conventional weapons control, by country and over multiple years | Ideal point estimate on latent dimension dealing with conventional weapons control |
| | Voting on nuclear weapons, by country and over multiple years | Ideal point estimate on latent dimension dealing with nuclear weapons control |
| | Voting on international economic fairness, by country and over multiple years | Ideal point estimate on latent dimension dealing with economic fairness |
| UN Treaties | Ratification of treaties dealing with legal matters, by country and over multiple years | Ideal point estimate, propensity to ratify treaties that deal with legal matters |
| | Ratification of treaties dealing with natural resources, by country and over multiple years | Ideal point estimate, propensity to ratify treaties that deal with natural resource management |
| Peacekeeping | Financial contributions, by country and over multiple years | Financial contributions to peacekeeping budget as a share of country GDP |
| | Troop contributions, by country and over multiple years | Troop contributions, adjusted by population |

Table 5.3b National Governance Dashboard—Sample Indicators

| Focal Theme/ Dimension | Main Indicators | Description | Selected Sub-Indicators |
|---------------------------|---|--|---|
| Efficacy | Think tanks, by country | Presence and quality of organisations that contribute to policy by generating ideas | Count of existing think tanks Rating of think tanks |
| | Academic resources, by country | Academic infrastructure in place for generating ideas and educating for the future | Research funding as fraction of GDP Ranking of economics departments Number of policy graduate programs |
| Effectiveness | Weberian bureaucracy, by country | The extent to which government exercises its functions impartially and professionally | Professionalism Impartiality |
| | Intellectual resources, by country | Government employees with a higher education degree | |
| Civil Society Strength | Civic engagement of population, by country | Involvement in civil society organisations through participation and membership | Participation Membership Inequality in participation and membership |
| | Civil society infrastructure, by country | Number of organisations involved in peace and environmental work | |
| | Recruitment patterns in civil society organisations, by country | Participation and membership according to social differences | |
| Legitimacy | Confidence in government, by country | Population's confidence in executive, legislature, and political parties | |
| | Confidence in government services, by country | Population's confidence in government service provision (police, civil service, education) | |

Table 5.3c City Governance Dashboard—Sample Indicators

| Focal Theme/ Dimension | Main Indicators | Description | Selected Sub-Indicators |
|--|---|---|---|
| Social Capital, Trust, and Other Intangibles | Confidence in elites, by city population | Confidence in executive, legislature, and political parties | |
| | Generalised trust, by city population | Perception that 'most people can be trusted' | |
| | Inequality in perceptions, by city population | Difference in perceptions according to income level | Inequality in life satisfaction Inequality in happiness Inequality in generalised trust |
| Quality of Institutions | Confidence in government services, by city population | Confidence in police, civil service and education | |
| | Perception of meritocracy, by city population | Difference in responses to questions about how important to get ahead in life are education, ambition, and hard work, rather than knowing the right people, having political connections, and paying bribes | |
| | Perception of impartiality, by city population | Responses to questions regarding the impartiality of government and courts | Perception of impartiality (citizens) Perception of impartiality (business managers) Perception of court impartiality (business managers) |

Table 5.3c City Governance Dashboard—Sample Indicators (continued)

| Focal Theme/ Dimension | Main Indicators | Description | Selected Sub-Indicators |
|---------------------------|---|---|---|
| Public Good Provision | Crime and security, by city population | Assessment of security city provides | Expenditures for security as % of firm revenues Perceptions of crime as an obstacle to business |
| | Perceived environ- mental quality, by city population | Composite index of perceptions of environmental quality | Air quality Water quality Sanitation |
| | Public transport, by city | Performance of public transportation system | Public transit <ul style="list-style-type: none"> • Volume • Speed • Operating costs • Energy consumption Emissions due to private and public transport |
| | Innovation, by city | Input and output of innovation | Patent applications per 1000 inhabitants Private R&D investment per capita Public R&D investment per capita |
| Corruption | Corruption victimization, by city | Experiences with corruption of citizens and entrepreneurs | Proportion of citizens asked for a bribe in interactions with public officers Percentage of firm revenues usually spent on bribes Percentage of govern- ment contract value usu- ally paid as kickback |
| | Culture of cor- ruption among businesses, by city | Citizen's perception of corruption as part of normal business culture | |
| | Corruption as obstacle to business, by city | Entrepreneur's perception of corruption as an obstacle | |

First Applications and Results

Governance Readiness System

For the governance readiness system, we are interested in responsible sovereignty as the exercise of sovereignty in a way that is fully respectful of the sovereignty of other nations. As Chapter 2 argues, GR3 (Externality management), GR5 (Recognising and promoting synergies) and GR6 (Taking account of policy interdependence) are closely related to responsible sovereignty. Therefore, we examined cases that bring these government requirements into focus, and typically in some combination:

- Kyoto Protocol—GR3 and GR6
- Trade policy at WTO—GR1 and GR3
- UN voting record—GR2 and GR5
- Ratification of treaties—GR3 and GR4
- UN Peacekeeping—GR4 and GR5

We will present each briefly in turn, and direct the reader to the Report website (www.governancereport.org) for methodological detail and more information.

The Kyoto Protocol—GR3 (Strengthening externality management) and GR6 (Taking account of policy interdependence). Under the Kyoto Protocol, 38 countries and the European Community committed to reduce or limit the increase of their greenhouse emissions by some percentage over the base year, in most cases, 1990.⁷ This is called the ‘quantified emission limitation or reduction commitment’, and a prime example of what Chapter 2 labelled as improved controls of spill-ins and spill-outs in managing interdependencies.

Countries, however, vary in commitments made. Some, particularly Eastern European countries, committed to limiting increases of emissions only, while others, mostly advanced market economies, committed to actual reductions. According to the Kyoto Protocol, emissions over the 2008-2012 period count towards the fulfilment of the commitments. Hence, we compute the average change in greenhouse gases emission for the years 2008, 2009, and 2010, using data from UNFCCC, and compare it with commitments made.

The vertical axis in Figure 5.2 shows the difference between target and effective reduction of emissions as of 2011: countries ranked towards the top of Figure 5.2 are ‘more virtuous’ in terms of their commitment, emitting fewer greenhouse gases than committed, while countries located towards the bottom are less virtuous. We can see a central cluster of countries around the target mark (from Croatia, Ireland, Portugal, Belgium to the

Netherlands, France and Germany), and some virtuous countries like Estonia and Ukraine, and also the Russian Federation.

However, once we take the size of economies into account, a strong pattern emerges: were it not for a set of smaller countries in the lower left corner of Figure 5.2 unable to meet their respective targets (e.g. Iceland, Luxembourg, Slovenia, and New Zealand), there would be a relatively close correlation between the total size of the economy and target fulfilment: smaller economies (upper left) were able to behave more virtuously than larger economies (lower right).

To some extent, this pattern reflects the fact that the targets for countries outside of the core of most developed economies were set somewhat more leniently, requiring a deceleration of the increase in emissions rather than an actual reduction in emissions. More importantly, however, the upper left quadrant is dominated by countries that underwent deindustrialisation in the 1990s and may have even had stagnating if not shrinking economies well into the 2000s. In essence, therefore, Figure 5.2 suggests that most virtuous countries did so involuntarily (upper left). By contrast, the less virtu-

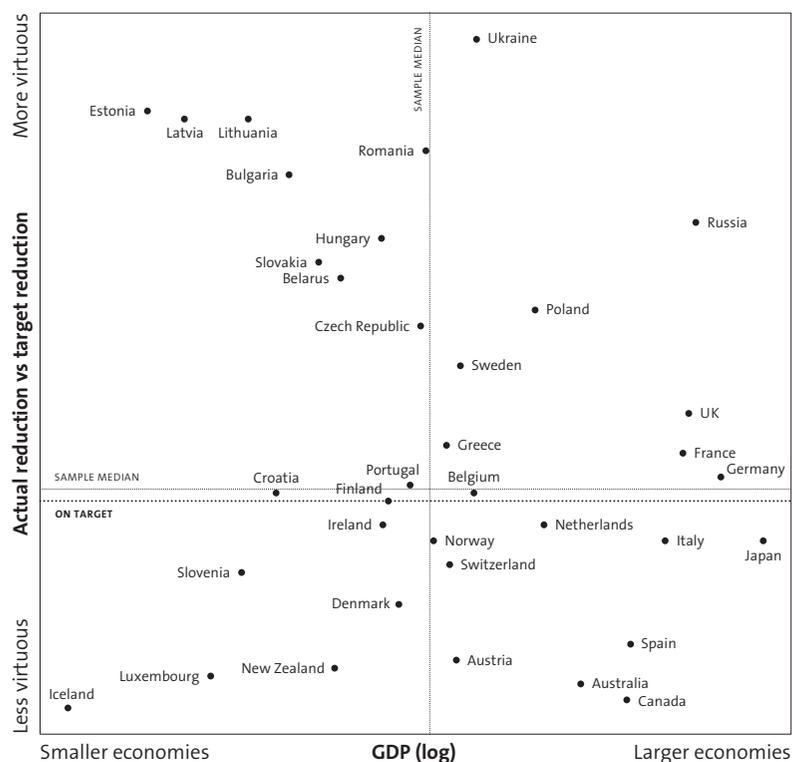


Figure 5.2 Difference between greenhouse gas emissions and Kyoto target, and size of the economy.

ous countries did so willingly (lower right), either by being unable to implement adequate policies called for, or by stalling.

Indeed, the considerable variation among countries with economies of approximately the same size points to a country's willingness and ability to contribute to the production of a global public good. In particular, among the largest economies signatory to the Kyoto Protocol, some (Germany, France, Sweden, and the United Kingdom) seem to behave somewhat more virtuously than others (Canada, Australia, Spain, Italy, and Japan).

What do these results suggest for the assessment of the two governance requirements involved? Looking at GR 3 (Strengthening externality management) first, hypothetically, a high rating would mean that all countries, especially developed market economies, would meet their committed targets. As Figure 5.2 shows, 21 of the 38 countries party to the Kyoto Protocol are located at or above the target line; what is more, hardly any of those that met their targets did so in reference to GR6, which would anticipate the interdependence of environmental policies with other global public goods. One indication of GR6 would have been active attempts to introduce and push proposals at follow-up meetings to Kyoto, be it at Copenhagen in 2009 or at Rio+20 in 2012. Thus, without giving precise numerical ratings, the scores would be low for both, yet lower for GR6 than GR3.

One way we could calculate the degree of meeting GR3 is the average of the difference between actual and target emissions, weighted by (log) size of the economy. This index is above 0 if more emissions are produced than the target, 0 if everyone is on target, and negative if emissions are lower than target. With the data we have on hand, the value of this index is -0.0175 meaning that the reduction (accounting for size of the economies) is on average actually more virtuous than the target, albeit not substantively by much. This result is not due only to the very good performance of Russia, one of the largest economies among the signatories. Even if Russia were excluded, the value would be -0.0151, and the substantive implication would be the same.

One can also compute the total GDP of countries that were at least on target, as a fraction of the total GDP for the countries included in Figure 5.2. The countries that fulfilled their Kyoto target (or did better than they had projected) and therefore lie below the dashed line in the figure account for 53% of the GDP of all countries involved in the Kyoto Protocol. Again excluding Russia does not change the substantive implication radically, yet the Kyoto fulfillers would account only for 48% of the GDP of the Kyoto signatories, meaning that, in a sense, the Kyoto targets were achieved on average by less than half.

The World Trade Organisation—GR1 (Averting the risk of dual-market and state-failure) and GR3 (Strengthening externality management). What could responsible sovereignty in trade policy mean in the context of the WTO/GATT? To approach this question, we look at three measures: The first indicator is about 'accusing' and measures how often a country claims some

foreign firm is engaging in dumping or benefits from illegitimate export subsidisation. It does so by counting the number of Antidumping (AD) and Countervailing Duties (CVD) incidents listed in the Antidumping Database (Bown 2012a) and the Countervailing Duties Database (Bown 2012b), which are part of the Temporary Trade Barriers Database at the World Bank. The value on the vertical axis of Figure 5.3 is the (log) number of antidumping measures that a country has taken against other countries. The data are based on averages over the 2006–2010 period. However, this measure does not capture all the dumping and subsidies that might exist; nor does it mean that the target country of any AD or CVD measure is actually violating WTO provisions.

The second indicator looks at the other side of trade behaviour, i.e. rather than crying foul, it is about being accused of a trade violation. The indicator measures how often firms from a given country are alleged to engage in dumping and related activities. The vertical axis in Figure 5.4 plots the log number of antidumping measures taken against firms located in that country. The data are from the same data source and, too, are based on averages over the 2006–2010 period.

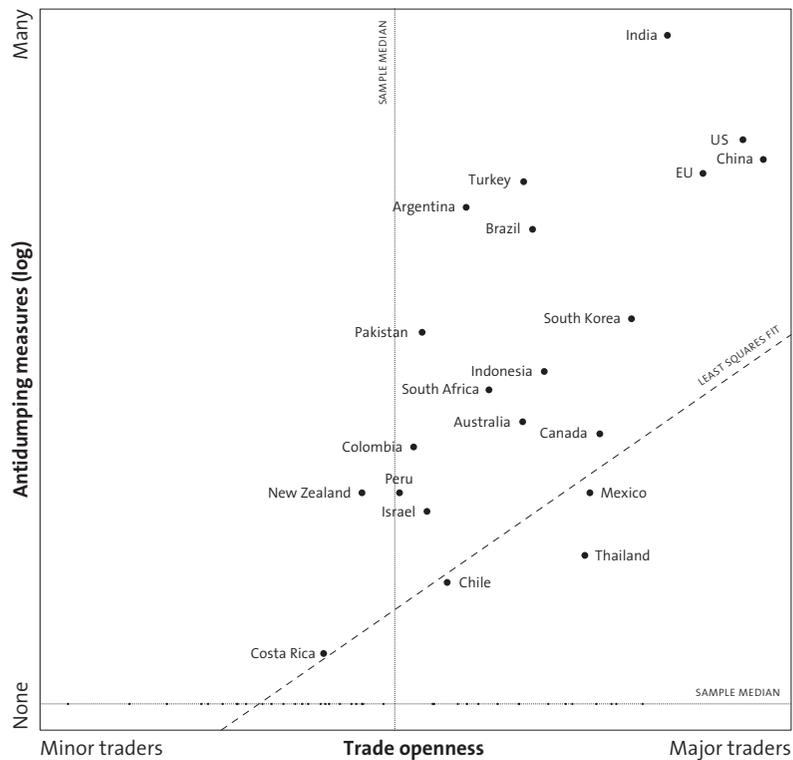


Figure 5.3 Antidumping measures enacted by country and trade openness

The third indicator directly addresses protectionist behaviour vs. trade openness, calculated as the sum of the real value of imports and exports of a country, and shown along the horizontal axis in Figures 5.3 and 5.4. It is therefore a measure of the weight a country has in global trade.⁸

The two figures underscore an essential premise of this Report: the more you trade, the more interdependent you become, the more likely you are to charge others with illegal trade practices such as antidumping, and the more likely you are to be charged—a typical GRI challenge. In other words, the more open economies become, the more likely are trade disputes to emerge. This applies to developed market economies like the US or South Korea as it does to the emerging economies, as the prominent positions of China, India and Brazil in Figures 5.3 and 5.4 suggest. What seems important is for countries to have a fair and open system of reaching settlements and of enforcing them.

At the same time, some countries are more often ‘accuser’ than ‘defender’, some are both, and few are neither in any pronounced way. In terms of governance requirements, more countries should fit the pattern of potential

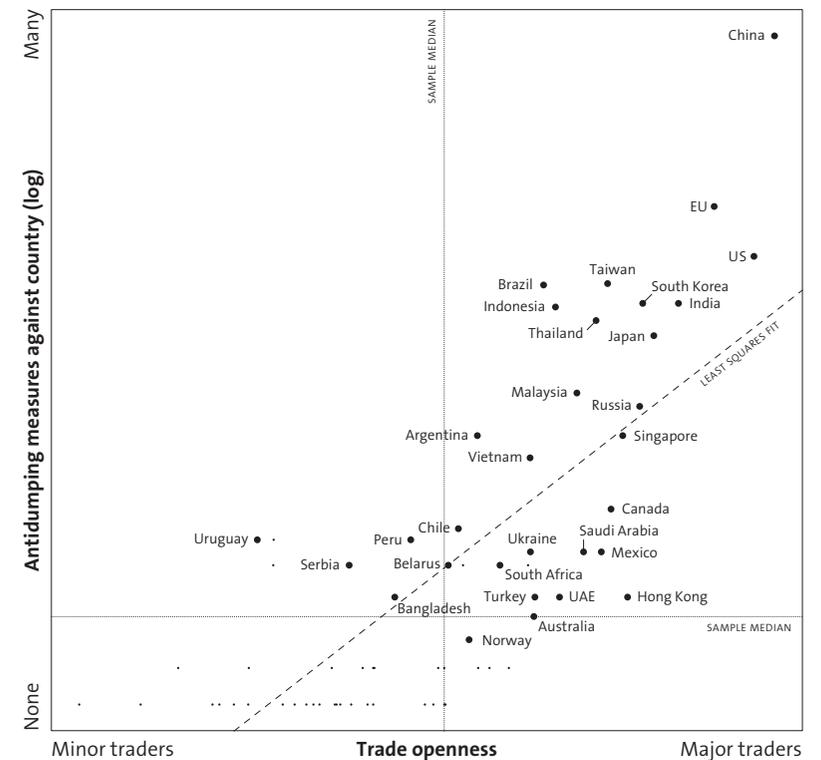


Figure 5.4 Antidumping measures involving firms in the country and trade openness

Table 5.4 Charging trade violations: Accusing and being accused

| | Below Median Being Charged | Above Median Being Charged |
|--|---|--|
| Below Median Charging Other Countries | Passive traders n= 10 e.g. Egypt, Hong Kong, Kuwait, Norway, Philippines, Saudi Arabia, Switzerland, Ukraine, United Arab Emirates, Venezuela | Potentially regressive traders n= 5 e.g. Japan, Malaysia, Singapore, Taiwan, Vietnam |
| Above Median Charging Other Countries | Potential watchdog traders n= 5 e.g. Australia, Chile, Mexico, South Africa, Turkey | Potential trade bullies n= 10 e.g. Argentina, Brazil, Canada, China, EU, India, Indonesia, South Korea, Thailand, US |

watchdogs: pointing to alleged trade illegalities of others, but being relatively 'clean' themselves, i.e. meeting WTO trade requirements and standards.

Given that we have data also for a large number of countries that play a relatively small role on the global trade scene, we restrict the analysis based on the four categories in Table 5.4 to the 30 countries that trade more than the median in the sample⁹, which together account for around 80% of world trade. We calculate the median number of the two types of antidumping measures for these 30 countries and then allocate countries based on whether they fall above or below that median.

According to the data, only 5 of the 30 high volume trading countries fit the 'watchdog' pattern. By contrast, 10 could be classified as trade bullies. This group includes a majority of the emerging economies that are members of WTO: Brazil, China, India, and Indonesia. Only South Africa, among the BRICS, qualifies as a 'watchdog'. Among the group of passive traders are oil-exporting countries, while the 'regressive' traders are all East and Southeast Asian economies. Overall, the rating of countries in terms of GRI and GR3 would be higher than for the Kyoto Protocol, but far from perfect.

Voting at UN General Assembly—GR2 (Correcting fairness deficits) and GR5 (Recognising and promoting synergies). The UN General Assembly (UNGA) is the highest body for all member states in which to express political preference. Through voting, member states can influence political decisions and policies of many kinds. What is the overall track record of the UNGA based on the vote calls on 517 resolutions between December 2005 and December 2011? For the world body as a whole, what do observed voting records reveal in terms of promoting fairness and synergies? We analysed these voting records (Strezhnev and Voeten, 2012–08 up to 2009; UNBISNET for recent years) and fitted a four-dimensional ideal point model summarising voting behaviour in the UNGA in the post-Cold War era.¹⁰

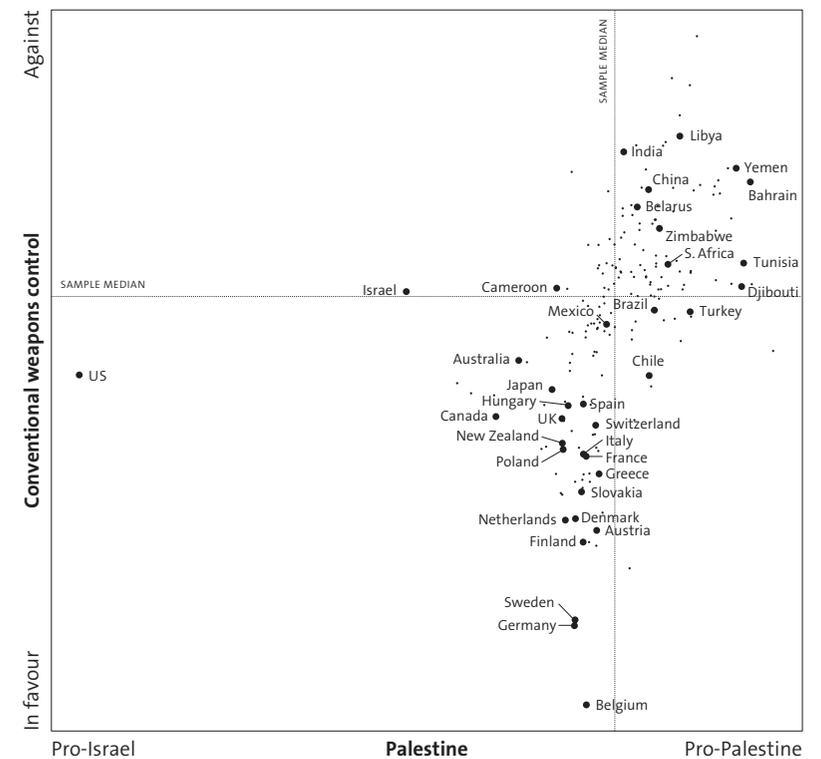
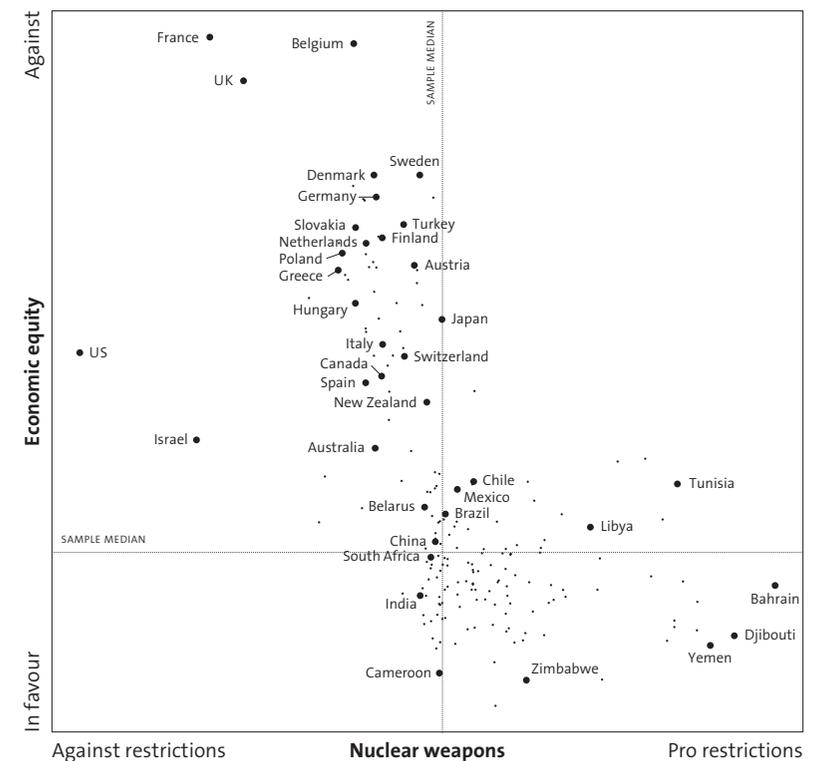


Figure 5.5a/b UN General Assembly voting behaviour: Ideal point estimates



- The first dimension, plotted along the horizontal axis of Figure 5.5a, deals with the Palestinian question most directly, and sees the US and Israel facing most other countries. A set of Arab countries are located at one extreme, and European and other advanced countries place themselves around the middle of the scale.
- The second dimension (vertical axis of Figure 5.5a) has to do mainly with conventional weapons control, and sees European countries at one, and 'rogue states' at the other extreme, with the US and other advanced countries much less supportive of conventional weapons control than Europe.
- The third dimension, plotted along the horizontal axis of Figure 5.5b, reflects issues around nuclear weapons. Advanced countries with nuclear weapons (US, the UK, France and Israel) oppose, quite intransigently, a set of resolutions that would affect them, with some developing countries at the other extreme, and non-nuclear European countries located closer to the centre.
- The fourth dimension (vertical axis of Figure 5.5b) is mainly about tensions between advanced countries and developing and underdeveloped countries, and deal substantively with issues of international economic equity, i.e. fairness.

One could conclude that, since the end of the Cold War, the UNGA has been dealing mainly with security issues (one unresolved regional conflict, conventional and nuclear weapons) and with the ridge between developed and developing or underdeveloped economies, with the developed on one side, the developing on the other.

Even if we set aside the Palestine and the nuclear weapons issues, their influence in terms of positioning is very strong and carries over into the way countries vote on many other issues, thereby 'contaminating' voting behaviour throughout. The only dimension that seems more related to responsible sovereignty is the one dealing with conventional weapons control and transparency in armaments. As shown in Figure 5.5a, this dimension sees a division between some advanced countries that support conventional weapons control and some which oppose it. The UNGA seems 'stuck' in a situation in which carry-over conflicts from the Cold War era and complex North-South conflicts (dimension 4) still dominate how coalitions form and disagreements manifest themselves.

United Nations treaty ratification—GR3 (Strengthening externality management) and GR4 (Promoting issue-focus and result-orientation). Treaty ratifications are indications of a need to cooperate for improved externality management (GR3) and to do so with a focus on specific issues or policy fields (GR4). The data come from the UN Treaty Collection, and cover all treaties either signed or ratified between 1998 and the first months of 2012. The UN categorises treaties in twenty-nine chapters based on their subject matter / policy area.

Figure 5.6 displays the estimated positions of each country based on a two-dimensional ideal point model of treaty ratification. The two dimensions predict ratification of treaties, dealing, as it turns out, with different subject matters: legal matters and resource management, respectively. The first dimension, plotted on the vertical axis, explains ratification of treaties that deal with legal matters: among the 20 treaties that are associated most strongly with this latent dimension, seven are from chapter XVIII (Penal matters), seven are from chapter IV (Human rights), and four are from chapter XXVI (Disarmament). One is from chapter XII (Navigation) and deals with a rather special issue, the arrest of ships.

The second dimension, plotted on the horizontal axis, has to do with the management of natural resources: among the twenty treaties that are associated most strongly with this dimension, fifteen belong to chapter XXVII (Environment); of the remaining five, one is from chapter XXI (Law of the sea) and two are from chapter XIX (Commodities) and deal respectively with tropical timber and food aid.

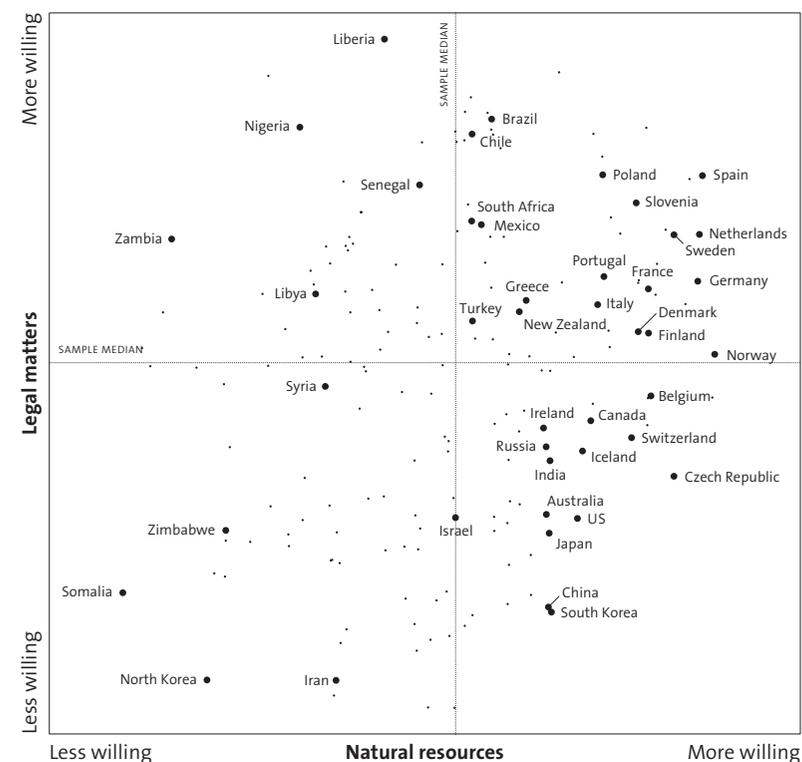


Figure 5.6 Estimates of the latent willingness to ratify treaties belonging to one of two groups (legal matters and natural resources) based on an ideal-point model of UN treaty ratifications (1998—2012)

Countries towards the upper right-hand corner of Figure 5.6 are more likely to ratify both kinds of treaties, whereas countries in the lower left corner are more likely to ratify none. As we can see, however, there is considerable variation in the positions of the countries: the propensity to ratify treaties varies, and not all countries are equally likely to enter binding international commitments. There is also a substantial number of countries that are selective in the types of treaties they ratify: some like the US, Japan and Australia are more like to ratify natural resources than legal-related treaties, while others, among them many African countries, reveal the opposite pattern.

Overall, we suggest that treaty signing and ratifications reveal a less than perfect picture: of the 80 treaties we consider, the median number of ratifiers is 26, around 13% of all the countries that potentially could sign and ratify a given treaty. From another perspective, the median country signed and ratified 27.5% of all the treaties under consideration in our analysis. This finding lends credence to others who found that UN organisations like UNE-SCO suffer from an erosion in treaty ratification and implementation¹¹.

UN peacekeeping operations and international security—GR4 (Promoting issue-focus and result-orientation) and GR5 (Recognising and promoting synergies). Peacekeeping has become a major function of the United Nations, the European Union, NATO and the Organisation of African Unity. Especially the UN relies on voluntary member states' contributions to support peacekeeping operations. Some suggest, based on spending data, that the burden of peacekeeping missions is shouldered disproportionately by richer countries (Khanna, Sandler, and Shimizu 1998, Shimizu and Sandler 2002). By contrast, some developing countries (Pakistan, India, Bangladesh, Nigeria, Nepal, Jordan and Ghana) contribute a significant proportion of the UN peacekeeping troops.

This pattern might reflect two different motivations: on the one hand, the willingness of countries to increase their geopolitical standing and there-

Table 5.5 Peacekeeping contributions and patterns

| Pattern | Resource Attraction | Dual | Status Attraction |
|----------------------|----------------------------------|---|-------------------------|
| Contributions | | | |
| Extensive | High resource seekers | 'Best of both worlds' seekers | 'Empty corner' |
| Limited | Moderate resource seekers | Politically hand-capped 'best of both worlds' seekers | Moderate status seekers |
| None | Potential and actual free-riders | | |

fore contribute to the production of global public goods like peacekeeping; on the other, peacekeeping is a source of revenue, given fixed reimbursement schedules and spare military capacity¹². Compared to countries with more expensive armies, for which the UN reimbursements would constitute just a small (and possibly negligible) portion of the defence budget, peacekeeping missions might indeed be attractive to poorer countries with either smaller or under-financed standing armies.

To explore this pattern, we employed two indicators: On the horizontal axis of Figure 5.7 is a measure of GDP on a log scale, based on Penn World Table data (Heston, Summers, and Aten 2012); on the vertical axis is a measure of contributions in kind (i.e., military personnel) to UN peacekeeping missions adjusted by differences in the population of countries.¹³

Of the 198 UN member states, about one-third (37%) do not contribute to peacekeeping efforts at all. They are classified as free-riders in Table 5.5. There are also few very large countries making large contributions—the nearly empty upper right-hand corner in Figure 5.7—a fact that probably has to do with the avoidance of seemingly overt power politics by major military

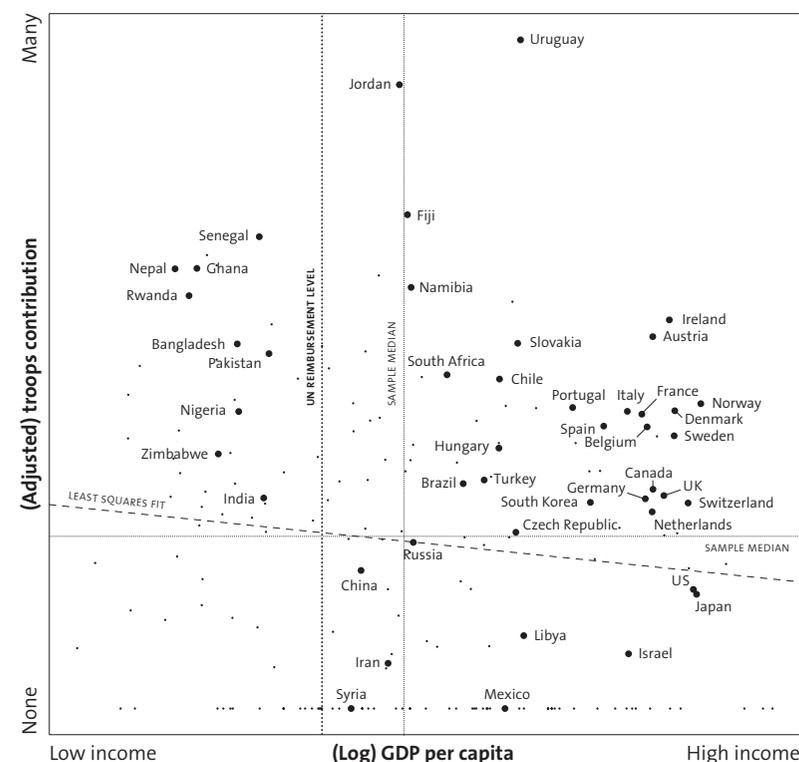


Figure 5.7 Adjusted troop contributions to UN peacekeeping missions (1989–2011) and size of economy

powers. Most countries that are part of peacekeeping efforts are in or close to the middle category of ‘best of both worlds’, and exercise a policy that may seek to combine national self-interest with public goods contributions.

In general, the data do not highlight the existence of a clear relationship between income and contribution, in either direction. Yet, it is remarkable that several African countries are among the top contributors. Furthermore, in general, a sizable group of the countries that contribute the most in adjusted terms have GDP per capita lower than the reimbursement per soldier (around 1000 US\$). Indeed, 19 countries among those whose population-adjusted contribution is in the top 25% of all contributions have GDP per capita below 1000 US\$ as of the late 2000s. These can be classified as ‘resource seekers’.

Among the large emerging economies, only South Africa seems to contribute (in population-adjusted terms) more than the traditionally ‘multilateralist’ countries of Western Europe (France, Italy, Sweden, Belgium, Denmark).

In conclusion, the record on governance requirements in terms of responsible sovereignty is higher for peacekeeping than it was in the case of the Kyoto Protocol, and is similar in terms of overall achievement to trade policies. The finding suggests that a subset of countries does indeed make contributions to global public goods—and seek cooperative arrangements accordingly—when such contributions can be aligned with national self-interest in terms of power or material as well as financial benefits. Alas, as we have seen in the case of both trade disputes and peacekeeping operations, too few countries are following such policies. Free-riding tendencies and bullying remain pronounced. As an overall assessment, we suggest the value of 67%, i.e. the number of countries grouped as ‘best of both worlds’ seekers (according to the most optimistic definition) as a fraction of all countries.

Alternatively, being somewhat more cynical, we can classify as pursuers of resources those countries that are among the top contributors and have incomes per capita well below the reimbursement level, and as pursuers of the ‘best of both worlds’ only the countries that have incomes above the reimbursement level and are among the top 25% of contributors. There are 31 countries that could fall into this latter category. This would lead to a ratio of 2.2 free-riders to 1 contributor: this is the ratio between the 69 countries that one could classify as free-riders and the 31 countries acting on their ‘enlightened self-interest’.

Governance Performance System

For the Governance Performance System, we are able to look at the country level to explore the role of government and civil society, thereby exploring two ‘actors’, though corporate data would have completed the picture of the multi-actor indicator system we aim at over time. We estimate three indexes, based on the variables included in the National Governance Dashboard (see

Table 5.3 above for sample indicators¹⁴). We then use these indexes to explain variation in governance performance and legitimacy across countries.

The first index measuring efficacy captures knowledge resources located outside of the government apparatus, including the public sector and state agencies. It assesses whether a country has a vibrant set of think tanks and a well-funded and internationally-recognised academic sector. The index is a weighted average of the measures reported in the full dashboard as measures of expertise.

The second index measures effectiveness and captures the Weberian nature of government as a functioning, impartial bureaucracy and the presence of intellectual resources within the state administration. Again, the index is a weighted average of the measures reported in the full dashboard under the rubric of capacity measures.

The third index measures the strength of the civil society and relates to the existence of a civil society with a high level of civic engagement, a strong organisational infrastructure, and an egalitarian recruitment. Here too, the index is a weighted average of the measures reported in the full dashboard under the label civil society.

We use these indexes to predict country performance and legitimacy. For both, we rely on measures collected and published by third parties as well as summaries of perceptions of government quality we estimate from surveys:

- **Transparency:** For resource-rich countries, we have a score of transparency in revenue management, compiled by Revenue Watch (2010); for a larger set of countries, we also use the Open Budget Survey, an expert survey compiled by the International Budget Partnership (2010) on the public availability of budget information and other accountability measures in 94 countries.
- **Confidence:** We estimate a confidence score in government elites (defined as the executive, the legislative, and political parties) and in government services (defined as the education system, the police, and the civil services) from individual-level data in the World Values Survey and in regional survey collections (Asia Barometer, Latino Barometro, Afrobarometer).

Do efficacy and effectiveness of the public sector and a strong civil society contribute to better governance outcomes and generate more confidence? We explored this question with the help of the variables above, and as a fuller analysis including cities is presented in Stanig (forthcoming), we limit ourselves to only selected results here.

Figure 5.8 looks at efficacy, i.e. the extent to which governments can rely on knowledge resources. In terms of transparency (Figure 5.8a), there are major findings: first, the great majority of countries rank low in terms of efficacy, which simply means that they rarely have adequate recourse to governance-relevant knowledge and information. In fact, in both figures that relate to efficacy, all but a few countries cluster close to the left-hand end of

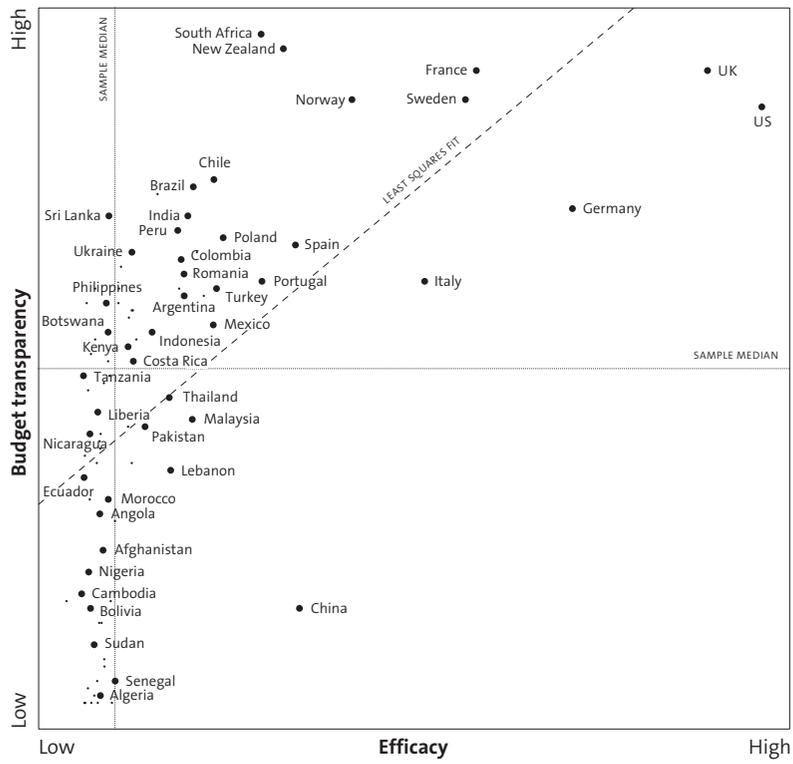


Figure 5.8a/b Efficacy, transparency, and legitimacy

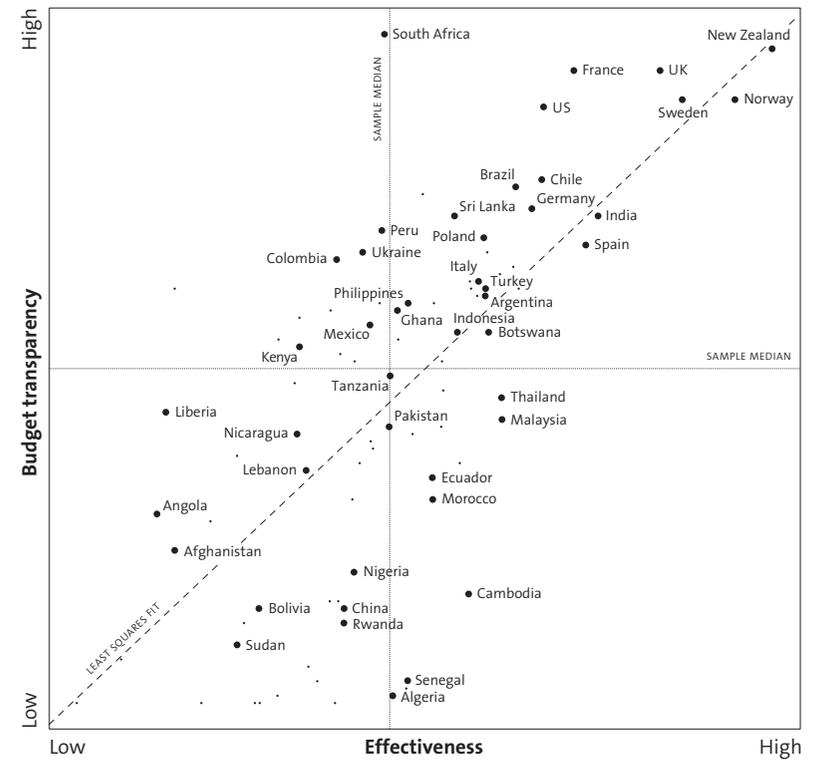
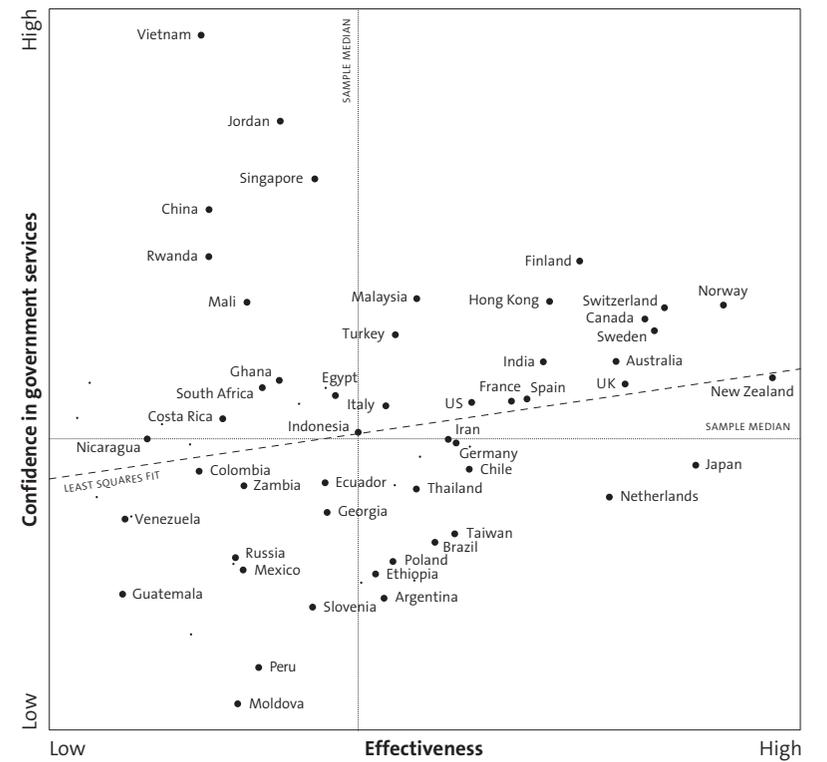
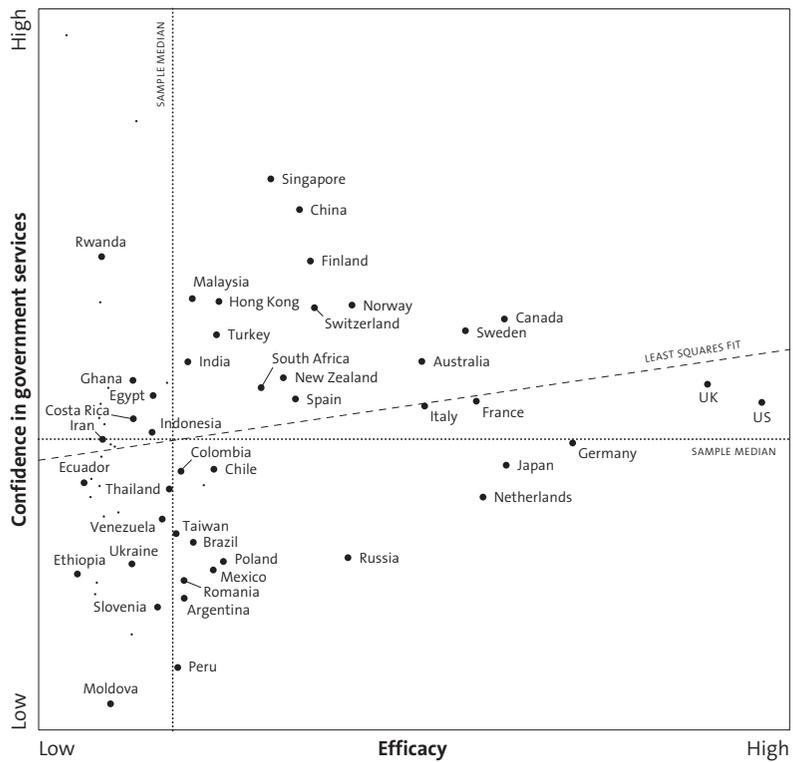


Figure 5.9a/b Effectiveness, transparency, and legitimacy



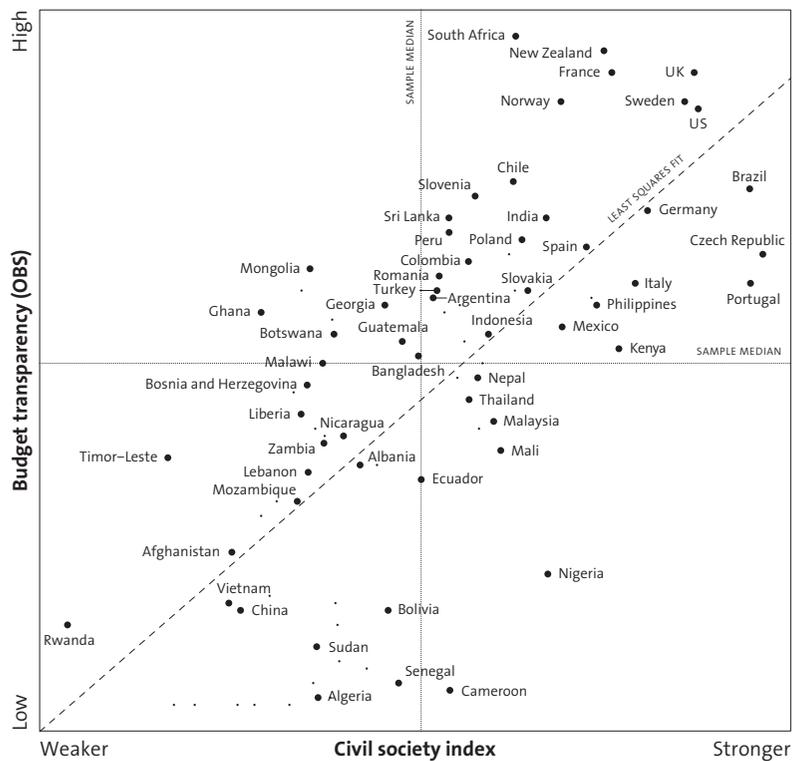
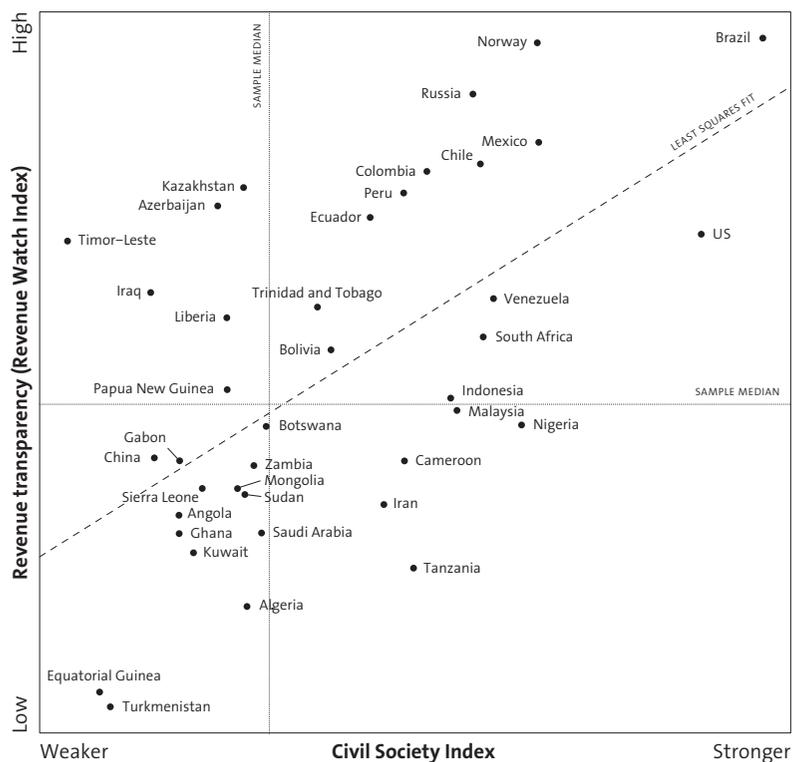


Figure 5.10a/b Civil society strength and transparency



the scale. Second, for more efficacious countries we do observe higher rankings in terms of transparency, but the relationship seems weak and not well pronounced. In other words, even if efficacy is in place, its impact on more transparent governance is not necessarily the case.

This is different for effectiveness (Figure 5.9a), which reveals a strong relationship with transparency. More effective administrations are also more transparent ones. What is more, the strength of civil society, too, reveals a strong impact on transparency (Figures 5.10a and 5.10b): more transparent public sectors are associated with vibrant civil societies. What is more, less than is the case for efficacy, fewer countries cluster at the low end of the effectiveness and civil society scale. At the same time, there is a significant overlap among countries located in the upper right-hand (e.g. Germany, UK, New Zealand, US) and lower left-hand (e.g. Nicaragua, Sudan, Liberia) corners of Figures 5.9a and 5.10a.

The governance performance model includes a feedback mechanism between efficacy and effectiveness and confidence, or, we could say, legitimacy. Figure 5.8b reveals a funnel pattern, whereby countries tend to converge slightly above the median in terms of confidence in government services as efficacy increases—keeping in mind most countries included rank rather low when it comes to both efficacy and confidence. This means that more efficacious governments are more likely to enjoy higher degrees of confidence than countries with fewer knowledge resources that can be devoted to governance. However, as the funnel pattern indicates, the confidence payout of efficacy has a declining gradient.

Effectiveness shows a different and altogether less pronounced pattern (Figure 5.9b), as a number of governments in countries like China, Rwanda, Vietnam or Singapore located in the upper left-hand corner enjoy high confidence despite less effective service delivery, a result probably due to political factors. Yet overall, taking these countries out of the figure, there is a slight tendency that more effective government services yield greater confidence.

Governance Innovations System

Finally, we take a look at innovations at the city level. If cities are, ideally, spaces in which equality of opportunity is provided, do they achieve that goal? And are more meritorious cities also more innovative? For this purpose, we compared the perceived meritocracy¹⁵ and patent applications per capita¹⁶ for 18 cities, and obtained the rather striking pattern displayed in Figure 5.11. There were no cities ranking very high in per capita patents that are perceived as less meritocratic; conversely, there are only a very few cities (Auckland, Sydney, Hamburg) perceived as more meritocratic but with a lower number of patents per capita. There is a pronounced cluster of less innovative and less meritocratic cities and a spread among more innovative and more meritocratic ones in the upper right-hand corner of Figure 5.11. The message seems clear: cities perceived by their inhabitants as ‘closed shops’ are less innovative.

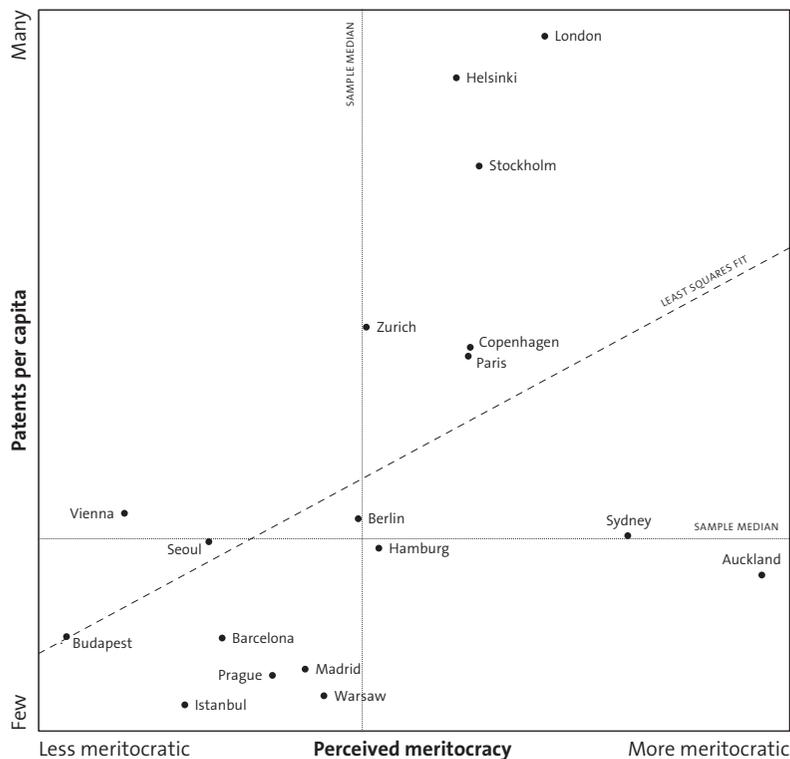


Figure 5.11 Patent applications per capita and perceptions of meritocracy

Conclusion

Of course, we were only able to introduce the main facets of the three indicator systems and present only a small part of the analysis based on the data available; once more we invite readers to the Report website. The main purpose of this chapter was to make the case for a new generation of governance indicators—indicators that are conceptually embedded in three frameworks of readiness, performance, and innovativeness.

The way ahead is clear: for one, a fuller operationalisation of each system is called for, as is the development of a larger set of tested indicators and improved data coverage. This implies a way of tracking governance readiness over time along the various dimensions of governance requirements, and a better way of capturing the causality relations and feedback mechanisms in the governance performance model. As part of these efforts, we will build links to other governance indicator systems, especially the Ibrahim Index of African Governance, the World Bank Institute, Revenue Watch, and the

Bertelsmann Stiftung. All approaches face similar challenges in terms of data coverage and availability. For this Report, improving the data situation on governance innovations is a next big step—and the topic of the next edition.

Endnotes

- 1 Kaufmann, Kraay and Zoido-Lobaton (1999); Kaufmann, Kraay and Mastruzzi (2010); <http://info.worldbank.org/governance/wgi/index.asp>; <http://www.transparency.org/research/cpi/overview>; <http://www.revenuewatch.org/rwindex2010/index.html>; Schwab (2011); <http://reports.weforum.org/global-competitiveness-2011-2012/>; <http://www.bti-project.org/home/index.nc>; <http://www.prosperity.com/>; <http://www.moibrahimfoundation.org/en/section/the-ibrahim-index>
- 2 See Stanig and Kayser (forthcoming) for a critical review of the governance indicators field.
- 3 On methodological nationalism, see Rössel (2012) and Beck (2007).
- 4 See Deutsch (1963), Anheier (2004; 2007); also: Pignataro (2003) and Brown and Corbett (1997) on similar sets of criteria that are more geared towards indicator assessments.
- 5 Fuller descriptions of the dashboards are found in Stanig (forthcoming) and Stanig and Kayser (forthcoming). The datasets with the dashboards, along with methodological notes, are available at www.governancereport.org
- 6 The ‘dashboard’ metaphor is taken from Stiglitz, Sen and Fitoussi (2010); a seminal discussion about disaggregated indicator suites as an alternative to composite indexes is found in UNESCO and UNRISD (1997). The advantages and limitations of dashboards compared to aggregate indexes are discussed in detail in Stanig and Kayser (forthcoming).
- 7 38 countries, plus the European Community, have committed to binding targets to reduce emissions under the Protocol. Additionally, Malta and Turkey report emissions data, but do not have set targets; Canada had targets but officially withdrew in 2012; the US has targets, but has not ratified the Protocol so far.
- 8 The figures are based on the data on openness published in the Penn World Table (Heston, Summers, and Aten 2012), except for the European Union, for which we use Eurostat figures <http://epp.eurostat.ec.europa.eu/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=tet00018&language=en> (accessed July 2012).
- 9 We consider the EU as a single entity for this purpose, and only consider extra-EU trade. This is because intra-union disputes do not go through the WTO dispute mechanisms, and because complaints related to extra-European trade with Europe, that go through the WTO, are—or should be—recorded as complaints involving Europe. We recode those erroneously filed to EU individual countries as EU complaints.
- 10 Ideal point models are a standard approach used in political science to summarise and explain voting behaviour in legislatures. See Clinton and Jackman (2009) for an overview of available methods to estimate latent ‘ideological’ positions based on roll-call votes, and Voeten (2000; 2004) for applications to the UN General Assembly. An explanation of model selection, i.e. why and how we arrived at a four-dimensional model, and the technical details about model identification are found in Stanig (forthcoming).
- 11 See the International Regulatory Frameworks indicator suite (pp. 586-595) in Anheier and Isar (2008).

- 12 Bove and Elia (2011) relate troop contributions to the availability of manpower.
- 13 The scores displayed on the vertical axis are based on a simple statistical adjustment (linear regression) that makes it possible to account for the fact that larger countries tend, on average, to contribute more troops than smaller countries. Our adjusted score is, in substance, an estimate of the contributions that countries would make if all countries were of the same size.
- 14 See Stanig (forthcoming) and Stanig and Kayser (forthcoming) for more detail on the fuller set of indicators and corresponding data sources.
- 15 Measured as the difference between responses to survey items that ask how important to get ahead in life are education, ambition, and hard work rather than knowing the right people, having political connections, and paying bribes.
- 16 The patent application data comes from OECD (2010b).