

The Global Panopticon of Governance: The Measuring, Monitoring, and Disciplining of States

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A recent OECD study noted that in the last fifteen years there has been “a veritable explosion in interest in the quality of “governance” in the developing world,” accompanied by “equally explosive growth in the use of quantitative governance *indicators*...” (Arndt & Oman, 2006: 13, emphasis in original). The UNDP notes: “There is an increasing demand from developing country governments, civil society organisations and donor agencies to measure different aspects of democracy, human rights and governance. This demand has resulted in a tremendous growth in indicator sources, which are used to measure the performance of governments, the quality of public institutions, as well as people’s perceptions of various aspects of governance” (UNDP, n.d.). There are various drivers for this phenomenon, the most recent being the adoption of the Millennium Development Goals (MDGs), with requirements of specific indicators of recipient government performance. The MDGs are supported through *Global Monitoring Reports*, which include reviews of governance (Levy, 2007). The World Bank Institute estimated in 2006 that there were some 180 user-accessible sets of governance indicators, in turn made up of thousands of individual indicators. The more visible ones are well-known: Transparency International’s Corruption Perceptions Index (CPI), Freedom House’s “Freedom in the World,” the World Bank’s Country Policy and Institutions Assessments (CPIAs), the International Country Risk Guide (ICRG), and the World Bank Institute’s “KKZ” indicators.

The literature on these indicators has, for the most part, been largely professional (by donor agencies) or technical (focused on measurement issues). This paper takes a more policy-oriented approach and tries to situate this burgeoning panopticon (Foucault, 1977) of governance in a wider context of globalization, transnational standards and the diffusion of political practices.

We make the following arguments. First, the growth of governance indicators is an important component of globalization. It is both driven by globalizing economic factors such as growing FDI and a consequent need for risk assessment, and is itself a driver in that it promotes universal standards of good governance. Second, those standards are part of a larger dynamic of soft governance and loose coordination (though donor agencies with conditionalities attached to loans can be hard and tight) that marks this era of globalization (Brunsson and Jacobsson, 2000; Scholte, 2005). Third, the phenomenon of governance indicators being developed and applied by international agencies demands a reassessment of the way in which we think about policy diffusion and borrowing.

These arguments are developed in four main parts of the paper. The first part reviews the history of the governance indicator movement, driven as it was by post-Cold War realities, growing international private sector financial investments, and social science theory. The second part provides an overview of the universe of governance indicators, with commentary on the leading ones. The third part provides an analysis of the major shortcomings of most of these indicators, their political and policy biases, and potential consequences when they become the foundation for major decisions. The final part revisits the empirical analysis in light of theoretical issues from the globalization and policy transfer literatures. Our conclusion is that indicators will continue to evolve and mature, become more sophisticated, and be a little noticed but supremely powerful mechanism of discordant control and discipline on state systems around the world.

The Governance Indicators Movement

The growth and importance of governance indicators should be set against the backdrop of policy learning and policy transfer around public management reform, specifically the spread of “new public management” (NPM) in the last decade (for overviews, see Lane, 2000; Aucoin, 1995; Barzelay, 2001; Peters, 2001, chap 6; Christensen and Laegreid, 2002). There are

conflicting interpretations of what NPM actually meant (Barzelay, 1992; Bevir, Rhodes and Weller, 2003; Hood, 1996), but there is no doubt that a global revolution in public management has been underway in the last quarter century: since the 1980s “a global reform movement in public management has been vigorously underway” (Kettl, 2005: 1); “Except perhaps during major wars there never has been the extent of administrative reform and reorganization that has been occurring during the period from approximately 1975 onward” (Peters and Pierre, 2000: 1); “There is no doubt that the period since 1980 has witnessed an apparently unending wave of public management reforms in the developed world” (Pollitt, 2001: 472).

For the purposes of this paper, there are three features of this global public management revolution worth noting. First, international governmental organizations were key players and drivers in the movement. Hood (1998: 202) for example remarks, somewhat cynically, that international organizations like the OECD and the World Bank had a vested interest in arguing on behalf of “best practice” models that they would then have a role in fostering and supporting. Premfors argues that the dominant narrative of public sector reform had been developed by the OECD’s governance directorate (PUMA at the time, now GOV) and that it had “been very successful in stimulating interest and debate among both member governments and wider audiences and in formulating and propagating a particular mode of thinking about administrative reform” (1998: 142). Other scholars agreed: “PUMA has been one of the nodal points in an international network, bringing together civil servants, management consultants and academics (an occasionally politicians themselves) who are interested in public management. It has helped shape what has now become an international 'community of discourse' about public management reform....The World Bank, the IMF and the Commonwealth Institute have also been international disseminators of management reform ideas” (Pollitt and Bouckaert, 2004: 20-21).

Second, while there is still debate about what constitutes NPM, almost all analysts agree that performance measurement and a focus on outcomes and results are critical to any NPM

experiment. Unsurprisingly, but somewhat unnoticed in much of the discussion about NPM and management reforms, this philosophical orientation generated a demand for measures, indicators and reports on the quality of governance and policy outputs and outcomes. Scorecards and various public reports on government department performance multiplied exponentially, and eclipsed any of the older variety of financial and auditing reports. As Boviard and Löffler (2003: 315) point out, NPM also contributed to an interest in governance measures more broadly since there was growing dissatisfaction in the late 1990s with the narrow focus of NPM on service delivery instead of the overall quality of public institutions.

Third, the very fact that there was a global public management revolution suggested that public management and governance were considered important for economic and societal performance. This seems like a trite observation, but it is important to think back on the circumstances in the 1980s and 1990s. Prior to the collapse of the Soviet Union, the focus of development aid was on *economic* development and on democratization (Carrothers, 1996). With the collapse the focus of international agencies in the former Soviet Union was on establishing the mechanisms of a capitalist economy through privatization and the creation of free markets. By the mid-1990s it was clear that markets embedded in corrupt or dysfunctional states would themselves become corrupt and dysfunctional. Two harbingers of a renewed appreciation of the importance of governance were the OECD's *Governance in Transition* (1995) and the World Bank's *The State in a Changing World* (1997).

Global public management reform gathered force in the 1990s, and was characterized by an emphasis on performance and the importance of governance. But you cannot fix what you cannot measure, and so underpinning these more visible developments was a quieter but equally important movement to develop indicators of good governance. This indicators movement, while rooted in the larger movement around public sector reform, had its specific drivers as well. We treat them separately here in the discussion that follows, but they were intimately entangled:

developments in institutional economics, in private sector risk assessment, and the growing consensus of international donors around the importance of governance to development.

Economics is concerned with growth and development, and in the 1980s and 1990s work began to emerge that highlighted the importance of institutional frameworks – as opposed merely to economic variables such as investment -- to growth (Olson, 1982, 1993; North, 1990; Scully, 1988). The efficacy of investment depended on these institutional variables, which in turn depend on the quality of governance. Up to the mid-1990s, this proposition was tested against proxy variables such as coups and political assassinations and some measures of political freedom and civil liberties. The problem with these variables was that they were too crude to capture instances of non-violent governance that still might undermine security of property of contract rights. As Knack and Keefer (1995: 209) noted: “Countries may experience few coups and revolutions but nevertheless exhibit insecure property rights. In fact, dictators who are most effective in the repression of dissent may be the most successful in avoiding coups, revolutions and assassinations, but offer the worst protection for property rights.” Their article introduced private sector risk assessment data into the academic literature for the first time, relying on 1982 data from the International Country Risk Guide (ICRG) and 1972 data from the Business Environmental Risk Intelligence (BERI). As they pointed out, “these two sources provide detailed ratings for large samples on disaggregated dimensions of property rights that are closely related to those institutions emphasized by North...and Olson” (Knack and Keefer, 1995: 210).

Private sector investors have an interest in assessing the risks of the countries in which they invest (Malik, 2002). BERI was established in 1966, and uses a qualitative methodology of anonymous expert assessments of hundreds of publications, producing country ratings as well as forecasts. Its clients are mostly banks and international companies (BERI, n.d.). Country ratings are produced in publications and reports such as the *Historical Ratings Research Package (HRRP)*, *Financial Ethics Index (FEI)*, *Quality of Workforce Index (QWI)*, *Mineral Extraction*

Risk Assessment (MERA), Labor Force Evaluation Measure (LFEM), and Government Proficiency Measure (GPM). The ICRG was established in 1980 by the editors of *International Reports*. In 1992 it moved to the PRS Group, “becoming an integral part of the company’s services to the international business community” (PRS, n.d.). The ICRG relies on a statistical model comprised of a set of 22 components that summarize political (12 components), financial (5 components), and economic (5 components) risk. The system is flexible and can be modified for the specific uses of different clients, who comprise “institutional investors, banks, multinational corporations, importers, exporters, foreign exchange traders, shipping concerns, and a multitude of others.” To give a flavour of the guide, the 12 components of the political risk category include: government stability, socioeconomic conditions, investment profile, internal conflict, external conflict, corruption, military in politics, religious tensions, law and order, ethnic tensions, democratic accountability, and bureaucratic quality. As an example, the indicators of government stability are government unity, legislative strength, and popular support, and these can be supported by quantitative indicators. The indicators for bureaucratic quality are more qualitative: “high points are given to countries where the bureaucracy has the strength and expertise to govern without drastic changes in policy or interruptions in government services. In these low-risk countries, the bureaucracy tends to be somewhat autonomous from political pressure and to have an established mechanism for recruitment and training” (PRS, n.d.). The growth of international financial flows and investments has created an incentive for new entrants into the market, such as Global Link (n.d.), established in 1996 as “State Street’s multi-asset class network for market research, portfolio analytics, integration, execution, reporting, and settlement.”

The third, and perhaps most important, driver behind the governance indicators movement has been the international donor community. As Besançon points out: “Measurements matter where clients, foundations, and donor organizations such as USAID, IMF, the Millennium

Challenge Account, the World Bank, the UN, or the European Union allocate large sums of money to developing nations and base disbursements on good governance. Such measures show which states have improved and the ones in need of improvement, and show what sectors need more attention” (2003: 2). By one measure, World Bank lending for economic reforms fell by 14 per cent annually in 2000-2004, but lending on improved governance rose to the point that in 2004, 25 per cent of World Bank lending was targeted on law and public administration (Arndt and Oman, 2006: 17).

The World Bank has been the leader in developing governance indicators, but its mandate did not originally contemplate public sector reform as an instrument of development aid. A 1989 Bank report that ascribed ineffective aid in sub-Saharan Africa to inadequate governance began to shift the focus, and in 1991 the Bank’s annual conference was devoted to the theme of “good governance” (Nanda, 2006: 272). World Bank President James Wolfensohn in 1996 issued what was considered a radical statement reversing the Bank’s policy not to address political factors in development such as corruption (Arndt and Oman, 2006: 17).

The connection between governance and development was importantly supported by the OECD and the UNDP in the mid-1990s (Landman and Hausermann, 2003: 2). The Development Assistance Committee (DAC) of the OECD issued a report in 1996 entitled *Shaping the 21st Century: The Contribution to Development Cooperation* (OECD, 1996). Its key theme was a new form of international development assistance that would hinge on partnerships with developing countries, focused on specific goals. Partnerships of course implied that the OECD’s “partners” would be capable of managing resources and participating in development programs. This emphasis on capacity opened the door to considerations of governance: “We now see a much broader range of aims for a more people-centred, participatory and sustainable development process... strengthening human and institutional capacities within nations...improving the capacity of developing countries...reinforcing the transformation of institutions” (OECD, 1996:

13). Capacity development involved priorities for “effective, democratic and accountable governance, the protection of human rights and respect for the rule of law.” In the same year, an ad hoc group reported that there had been no progress on developing indicators for these outcomes, but by 1998 the DAC re-launched the process with proposal to a joint OECD/UN/World Bank meeting on Agreed Indicators of Development Progress (Knack, Kugler, and Manning, 2003: 346). By that point, the World Bank Institute, beginning in 1996, began to release its KKZ governance indicator (discussed below).

Two other watersheds followed. The first was the UNDP’s 2002 Human Development Report, entitled *Deepening Democracy in a Fragmented World* (UNDP, 2002). Claiming that the idea was controversial, the report stated that its inspiration was “the idea that politics is as important to successful development as economics.” It included an extensive survey of governance measures, both subjective and objective, as part of its review of the Human Development Index (UNDP, 2002: 35ff). The second was the European Commission’s draft manual on good governance, published in 2003 (European Commission, 2003). It enunciated what was by now a conventional wisdom: “There is widely acknowledged evidence that development cooperation has not succeeded in reducing poverty in recent years. One fundamental reason has been identified as poor governance, which most people can recognise when they see it. Yet every aspect of public life involves governance, and if practices can be encouraged across the board which promote good governance, there is a much better prospect of making a success of development. That view is now widely shared not just by donors but also by the developing countries themselves” (European Commission, 2003: 5).

The link between aid, good governance, and indicators was made even more explicit in the UN’s Millennium Goals. The final report of the Millennium Project, *Investing in Development* (Sachs, 2005) noted that:

The successful scale-up of investment strategies to achieve the Millennium Development Goals requires a commitment to good governance. This includes upholding the rule of law through administrative and civil services and through legal and judicial institutions. It includes promoting human rights, particularly civil liberties and political freedom. It also includes sound economic choices, especially for macroeconomic policies and regulatory frameworks. And it includes transparent, participatory, and accountable decisionmaking processes. These critical elements of governance serve as vital complements to the scaling-up of public sector management capacity.

The report's chapter on governance emphasized the various indicators that had been developed in the last decade, in part to support the argument that good governance, while difficult to define, was not beyond measurement and assessment. Its closing chapters on the implementation of the MDGs also referred directly to evaluative criteria on governance as well as economic performance. This was a way, for example, of identifying "fast track" poor countries that would most likely develop with targeted donor aid. The MDGs were explicitly numerical and crisp, with specific targets for economic, human and institutional development. The only way to gauge progress would be to measure it through indicators. Progress on governance was central to meeting the MDGs, and to the degree that the MDGs have become the global consensus among the donor community about what its long-term objectives are, they have cemented the importance of governance as a key conditionality of aid. The G-8 leaders in Gleneagles, Scotland, in 2005, for example, stated in their communiqué on aid to Africa that it be aimed at "low income countries which are committed to growth and poverty reduction, to democratic, accountable and transparent government, and to sound public financial management" (quoted in Nanda, 2006: 270).

The movement towards governance indicators continues unabated. The most recent initiative comes again from the OECD, in a project entitled "Government at a Glance." It was launched in 2005 as "Management in Government" with the aim of "providing governments with high quality comparative information on the public sector" (OECD, 2007: iii). The project is a perfect illustration of the panopticon thesis put forward in this paper. The report notes that as "public sector reforms continue across the OECD, there is a growing need for improved data to provide a reality check on actions taken and a direction for the future" (OECD 2007: 1). The scope and ambition of the exercise is such that it warrants a full citation:

This Working Paper compiles a set of recent comparable OECD data on revenues, inputs, and public sector processes and proposes a way forward in data collection. It is the first of three annual Working Papers as the Public Governance and Territorial Development (GOV) Directorate of the OECD builds up to the first publication of a major biennial publication, "Government at a Glance", in late 2009. It is accompanied by a volume entitled "Measuring Government Activities" (OECD, forthcoming) that sets out the proposed approach and that poses technical alternatives for expert review and comment. The first part of this volume provides a comprehensive exposition of the proposed data classification and analysis.

The development of the methodology has been overseen by three informal editorial groups comprising leading government and academic experts drawn from across the OECD (see <http://www.oecd.org/gov/indicators> for more details) and in close collaboration with other OECD Directorates (most particularly the Economics Department and the Statistics Directorate). (OECD, 2007: 1)

The OECD's ambition is to hard wire indicators into an on-going global conversation among practitioners about good governance. As the report states, the publication will "facilitate a structured practitioner dialogue" and will contribute to OECD-wide "lesson-learning." More than that, however, the project has a certain hegemonic thrust as well, again worth quoting at length:

There are many other bodies and institutions that develop useful public management datasets. OECD/GOV will continue to undertake some data collection in core areas – as it has a distinct comparative advantage in its access to governments – but this data collection role will be accompanied by an increased emphasis on networking. Combining its unique convening power with a clearer specification of technical standards and identification of data gaps it will encourage other data suppliers to work on priority areas and *conform to OECD standards*. This may have the additional advantage of minimising overlapping survey demands on OECD member government's time. OECD/GOV will focus on priority information and will seek minimum new data consistent with its overall strategy, noting that long and complex survey instruments create disincentives to provide good responses. (OECD, 2007: 4, emphasis added)

The panopticon was Bentham's perfect prison. As a prison, it assumed the incarceration of the unwilling. The global panopticon of measurement and surveillance, (outside of aid conditionality) relies on voluntary compliance and submission to measures. The best instrument for this is standards that entice an appetite to participate. We discuss this below, but for a taste, again the OECD document: "The reputation of 'Government at a Glance' should be such that that inclusion of a dataset is a badge of honour for any organisation that has contributed comparative data."

Overview of Indicators

As the preceding section points out, the number and array of governance indicators has grown substantially in only one decade, and are being taken seriously as decision-making tools by donors and foundations and private companies. The logic of political risk assessment is straightforward – companies want to know the condition (stability, level of corruption) of the countries and the economies in which they invest. The same is roughly true of donors, with the

difference that donors are “investing” in principle for loftier purposes – reducing poverty, preparing countries to accession to new clubs like the European Union. From the point of view of global governance, indicators are also important coordinating devices of soft power that create international standards through providing comparability in some instances among countries. The most famous is Transparency International’s ranking of countries on its corruption index, but KKZ and DFID’s Datagob allow comparisons among countries and within regions. For donors and foundations, the major change in perspective in the last decade has been to elevate governance to a key causal variable explaining development. Whereas previously, an entire generation of social scientists and policy makers presumed that economic development was the foundation for good governance (the creation of a middle class, prosperity that brings social peace) the new optic is the reverse.

The sheer number of governance indicators makes a summary difficult. The next section goes into a detailed analysis of some of the key methodological issues attendant to indicators. This section provides a short summary of some of the most prominent and widely used governance indicators, and then presents a classification scheme to make sense of the wider universe. The data come from the World Bank Institute’s inventory.¹ Two key distinctions which we develop in more detail below are between objective (first-hand observations of institutions or other phenomena) and subjective (perception, survey based) indicators; and between single (one set of measures) and aggregated (a combination of several measures to arrive at a single index) indicators.

Transparency International’s Corruption Perceptions Index (CPI) is a poll-of-polls index that uses 26 sources. Corruption is intrinsically connected to public governance and, as a result,

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<http://web.worldbank.org/WBSITE/EXTERNAL/WBI/EXTWBIGOVANTCOR/0,,contentMDK:20746503~pagePK:64168445~piPK:64168309~theSitePK:1740530,00.html> Other guides are the OECD’s *Metagora* (www.metagora.org) and the UNDP’s *Governance Indicators: A User’s Guide* (<http://www.undp.org/governance/docs/policy-guide-IndicatorsUserGuide.pdf>)

has a clear impact on economic development. The CPI can also identify trend changes, but there are several deficiencies signaled in the literature: limited coverage, bias due to use of the western notion of corruption, exclusive focus on bribe takers as opposed to bribe makers, use of correlation as an indicator of causation, and change in sample and methodology of computing CPI over time.

Widely used by investors, donors, and academics, the Corruption Perceptions Index (CPI) published annually since 1995 by Transparency International is a leading governance indicator (<http://www.transparency.org/>). CPI is a survey of surveys that attempts to express the relative degree of corruption perceived in a country by the domestic and international business communities. It is built by compiling data from various surveys of perception of business people and experts and has covered 179 countries in 2007. A country's CPI score, with a value of 10 for the least corrupt and 0 for the most corrupt, is published annually together with the number of surveys on which the score is based and an estimated "confidence range" of possible values for the CPI score. Since the perception of corruption directly influences business decisions, CPI represent a clearly useful measure of the extent of the problems posed by corruption. At the same time, due to changes in CPI's country sample base and methodology, year-to-year comparisons of scores are highly problematic.

Another important aggregated governance indicator is the Global Integrity's index that highlights the effectiveness of anti-corruption mechanisms, as opposed to the level of corruption itself. Based on more than 290 discrete integrity indicators, the index assesses the existence of institutions designed to tackle corruption, their implementation and therefore their effectiveness, and access to those mechanisms. This index is based on objective data since it attempts to identify anti-corruption mechanism as opposed to perceived corruption (<http://www.globalintegrity.org/>).

Other aggregated governance indicators include the European Central Bank's Public Sector Efficiency and Performance composite indicators (PSE and PSP, respectively), the World Bank's

Country Policy and Institutional Assessment (CPIA), the World Economic Forum's Growth Competitiveness Index (GPI), the Institute for Management Development's World Competitiveness Yearbook, and London Business School's Global Entrepreneurship Monitor. While these might appear as measures of economic performance rather than governance, they are viewed as proxy measures of governance since economic health and development are now widely agreed to rest on good governance and public policy.

An important governance indicator for international investors looking for example to determine the best location for a specific investment is the International Country Risk Guide (ICRG) rating system, mentioned earlier (<http://www.prsgroup.com/>). Created in 1980, the ICRG is designed to assess financial, economic, and political risks in countries around the world. The financial and economic components are based completely of objective measurements, such as foreign debt to GDP ratio, budget balance to GDP ratio, or rates of growth or inflation. On the other hand, political risk is assessed using experts' subjective interpretations of components such as corruption, internal and external political violence and conflict, democratic accountability, bureaucratic quality, and strength of the legal system. The weights used to aggregate the risk measures reflecting these components are pre-determined in order to ensure comparison across countries and over time. However, ICRG offers the possibility of adapting both the data and the weights to better suit the investors' individual needs.

Another widely used source of governance indicators is Freedom House, a private non-profit advocacy organization founded in 1941 that uses US government support and grants and donations from major foundations to advance the "cause of human rights and freedom in the world" (<http://www.freedomhouse.org>). Freedom House rates both a country's political rights and its civil liberties on a scale of 1 to 7, with 1 being the most desirable level. In turn, the average of the two measures is used to rank countries as "free" (for a score below 3), "partly free" (3 to 5), and "not free" (above 5). The ratings are obtained on the basis of in-house experts' subjective

perceptions structured along a list of factors originating in the UN's Universal Declarations of Human Rights.

Freedom House divides the factors measuring political rights into three categories: the electoral process (e.g. is there a fair polling and an honest tabulation of ballots), political pluralism and participation (e.g. is there a significant chance for the opposition parties to take power via elections), and functioning of the government (e.g. whether government operates with openness and transparency). The civil liberties are assessed using 15 questions in four categories: the freedom of expression and belief (e.g. is there a free and independent media); people's rights to associate and organize (e.g. can political parties or ad-hoc organizations operate freely); the rule of law (e.g. is there an independent judiciary); and personal autonomy and individual rights (e.g. is there equality of opportunity and the absence of economic exploitation).

The World Bank produces two main sets of governance indicators: the widely used World Bank Institute's governance indicators which are presented in some detail below, and the Country Policy and Institutions Assessments (CPIAs), which are produced annually by the Bank's own staff.² CPIAs assess the capability of borrowing countries to effectively address poverty reduction, make good use of development assistance, and facilitate economic growth. These assessments of countries' policy and institutional frameworks have been used since 1977 to guide the allocation by the Bank of interest-free loans to the poorest countries. The CPIAs were not publicly available before 2006.

The set of criteria used by Bank's staff to calculate the CPIAs has changed over time, reflecting the evolution of the Bank's own understanding of the elements underlying the policy and institutional frameworks. Currently there are 16 criteria assigned to four clusters: an

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<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/ENVIRONMENT/EXTDAT/ASTA/0,,contentMDK:21115900~menuPK:2935553~pagePK:64168445~piPK:64168309~theSitePK:2875751,00.html> Accessed March 12, 2008.

economic management cluster, comprising macroeconomic elements such as fiscal and debt policy; the structural policy cluster, dealing with trade financial, and regulatory policies; a cluster on policies for social inclusion and equity, assessing gender equality, social protection, or environmental sustainability; and a public sector management sector, evaluating property rights and rules-based governance, the quality of public administration, and transparency-accountability-corruption in the public sector.

One of the most comprehensive and widely used set of governance indicators is the one produced by the World Bank Institute (WBI), though not officially endorsed by the World Bank itself. Initially created by Daniel Kaufmann, Aart Kraay, and Pablo Zoido-Lobaton, the so-called “KKZ” indicators were designed to address several concerns. The first one refers to the problematic nature of cross-country comparisons, given the fact that various data sources point to different findings. Another related concern is the proper interpretation of cross-country differences and the associated statistical significance. Lastly, it seemed important to come up with integrative indicators that are able to combine a large diversity of data sources.

The KKZ indicators cover six areas of governance: voice and accountability, political stability, government effectiveness, regulatory quality, rule of law, and control of corruption. These composite indicators amalgamate hundreds of perception indicators computed from 37 distinct data sources, including the ones underlying other major indicators such as ICRG, CPIAs, and CPI. The coverage is excellent; the broad set data sources used allowing the computation of indicators for over 200 countries. While the confidence intervals associated with each measure allow meaningful cross-country comparisons, comparing the levels of governance over time is problematic.

The preceding are among the most prominent governance indicators, but as mentioned, there is a vast multitude of them. The following table attempts to provide a classification scheme for the 174 indicators listed on the World Bank Institute’s (WBI) governance and anti-corruption

web site.³ We side step the definitional issue of what constitutes a “governance” indicator by simply accepting the WBI’s list.

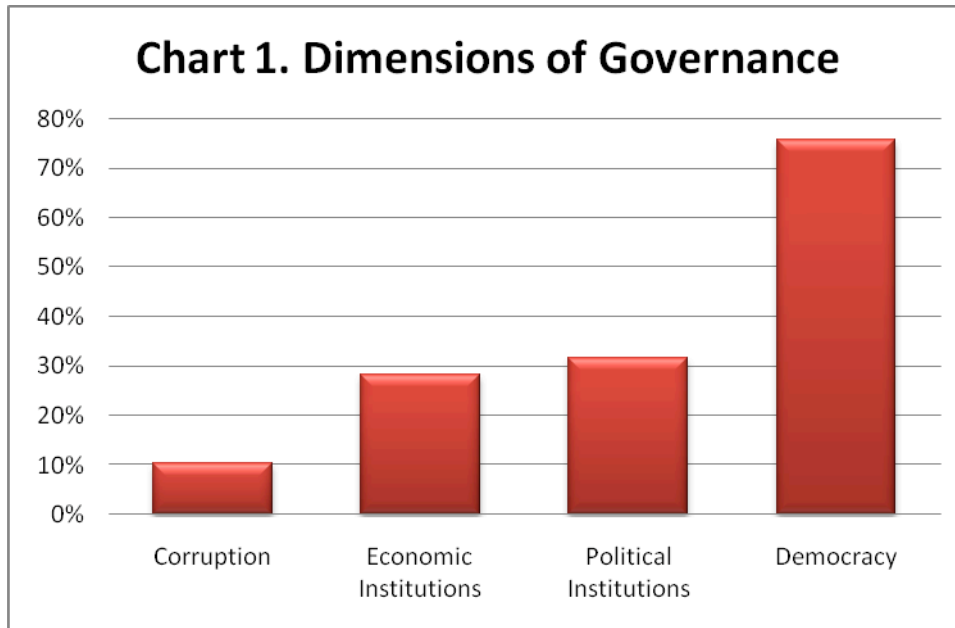


Chart 1 present the breakdown of the indicators included in the WBI database along four broad dimensions in terms of the content targeted for measurement. The four categories, corruption, economic institutions, political institutions, and democracy, are not mutually exclusive, as most indicators exhibit more than one focus. Naturally, some indicators cover a wide variety of governance variables. For example, a significant number of the indicators covering the quality of the economic institutions will also deal with aspects of corruption. However, for the purpose at hand, a determination was made with respect to what the main areas of coverage are for each indicator.

The quality of democratic institutions proved to be the most important governance

3

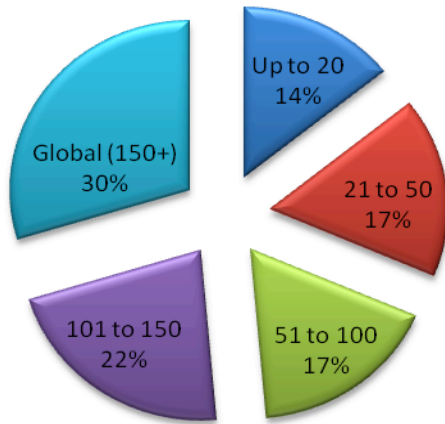
<http://web.worldbank.org/WBSITE/EXTERNAL/WBI/EXTWBIGOVANTCOR/0,,contentMDK:20746789~isCURL:Y~menuPK:1928447~pagePK:64168445~piPK:64168309~theSitePK:1740530,00.html> Website accessed on Feb. 28, 2008:

dimension targeted by indicators in the WBI database. A full three quarters of these indicators deal with some aspects of the democratic fabric of the respective societies, such as participation, representation, electoral system, civil liberties, human rights, sustainability of government, legitimacy of government, protest and coercion, gender equality, political change, etc. Next, some thirty percent of the considered indicators explore the nature of either economic or political institutions. The former category includes dimensions such as contract enforcement, quality of regulation, investment climate, business costs, business conditions economic management, corporate governance, etc. The latter category refers to notions such as accountability, stability, effectiveness, quality of political management, quality of the bureaucracy, etc. Finally, ten percent of the indicators focus either exclusively or partially on measuring the prevalence of corruption.

A somewhat balanced distribution seems to characterize the country coverage of the indicators in this database, as reflected in Chart 2. The indicators aiming for global coverage, analyzing one hundred and fifty countries or more, make up almost one third of the group. The remainder of the categories, such as less than twenty countries, or between fifty and one hundred countries, each amount to seventeen percent on average. While there is no unambiguous evidence available, a trend seems to be in place leading to more indicators aiming for global coverage.

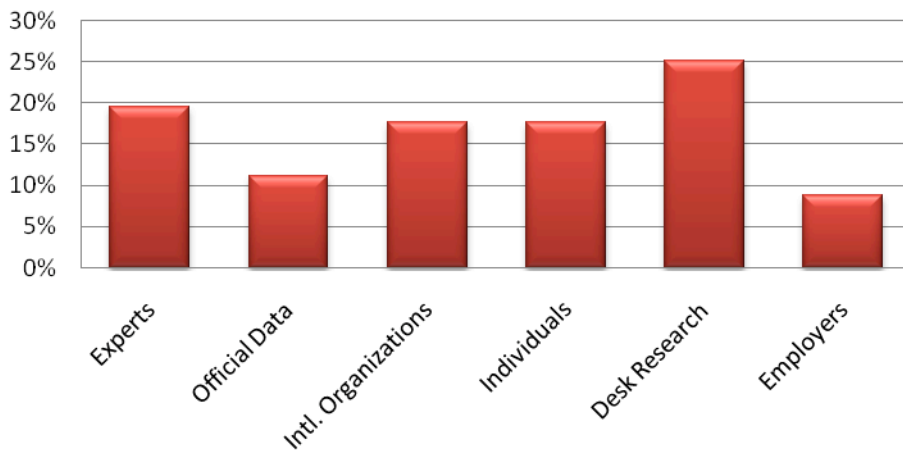
Data sources used in computing the governance indicators are quite varied. Categories include surveys of experts, individuals/households, employers, managers, or business leaders, governments (official data), international organizations such as IMF or the UN, and desk research. This last category is especially broad, encompassing the use of media reports, books,

Chart 2. Country Coverage

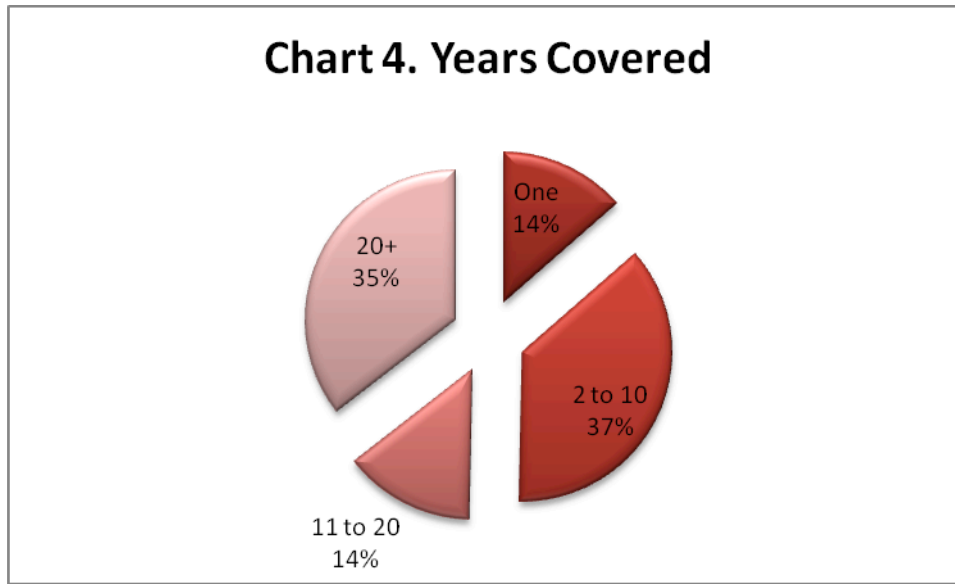


articles, academic research, and, of course, online publications. As shown in Chart 3, the surveys of experts and desk research have a slight edge over the other types of data sources with over twenty percent each. Note that these categories are not mutually exclusive, with a vast majority of indicators using more than one category of data sources.

Chart 3. Data Sources

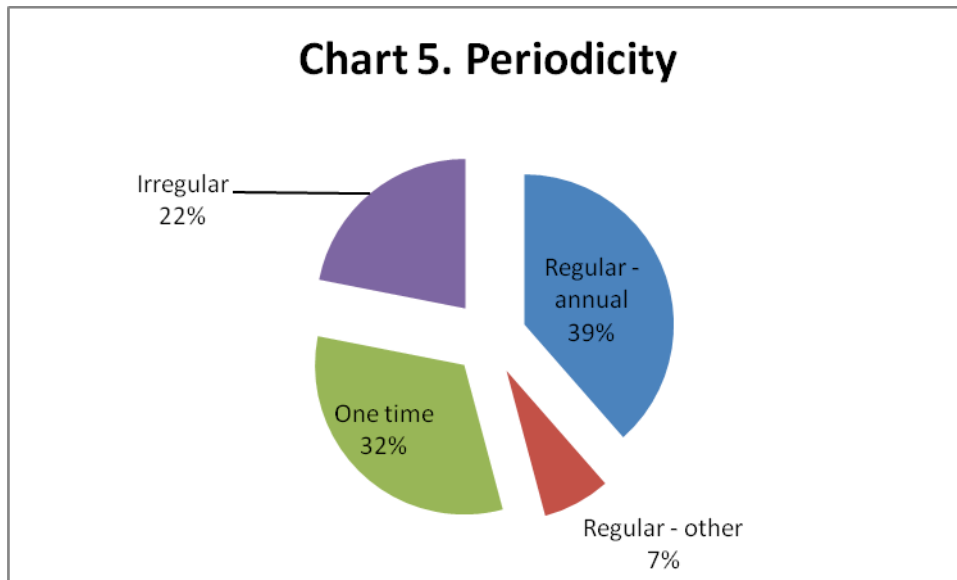


The period covered by the indicators, indicating the number of years during which the data was assembled, reveals a symmetrical pattern (see Chart 4). Coverage of less than a decade and more than two decades are overrepresented, with some thirty-five percent each. In turn, indicators using data emerging over more than a decade but less than two decades, and



indicators using data collected over just one year, account for fourteen percent each. It is worthwhile to note that the indicators covering just under a decade deal mostly with transition and emerging economies.

Chart 5 present the breakdown of indicators in terms of peiodicity, i.e. the number of times the diagnostics are carried out. The categories are one time, regular annually, regular other than annually, including daily, monthly , quarterly, twice yearly, every two years, etc., and irregular. The most prominent categories are the “snapshot” indicators, computed at one point in time, and annual indicators, with roughly a third each. Regural non-anuually and irregular indicators make up the rest.



Limitations of Governance Indicators

There are several difficulties marring the process of producing quality governance indicators. Measuring governance is a complex endeavor as it is hard to tie input data to output. Public sectors are increasingly heterogeneous and the importance of regional and local levels will only grow over time. The time dimension is also important as it reveals progress made in improving governance as well as the performance of various “investment processes” as they unfold. As a result, trying to aggregate all these dimensions in a unique index is futile. Instead, a set of criteria will emerge that would allow practitioners to identify the indicators to use for the specific question at hand.

Several characteristics of the data have to be in place to enhance the probability of producing good governance indicators (Arndt and Oman, 2006). No matter how sophisticated the statistical analysis is, the quality of the indicators is highly dependent on the underlying data. First, the neutrality of the data collection process is highly desirable. However, most

organizations/institutions involved in data collection operate under a set of values often gathered in a “mission statement”. For example, “promoting the principles of free enterprise” or “preserving traditional values” are not uncommon goals featuring prominently in such statements. The inherent ideological bias in the data provided by such institutions should be accounted for at the stage of aggregating data for the governance indicators. This is usually done via analyses of correlation between several studies of indicators.

There are usually two types of data used in the computation of indicators: objective and subjective. Objective data are based on quantifiable inputs or outputs and typically are considered superior to subjective data, based on the perceptions or opinions of individuals. However, objective data is often of poor quality and often not available, leading researchers to turn to subjective data (e.g. surveys of perceived corruption). Gathering subjective data is fraught with difficulties as well. For example, while polling a group of experts may seem a somewhat straightforward process, comparing data coming from datasets obtained via polling across different cultures and traditions may reveal significant incompatibilities. Other issues, such as time coverage, sampling, the nature of questions and collection methods (e.g. interview vs. mail or internet survey), are also important.

According to OECD (2005), data set quality is not as much about mere accuracy, as it is more and more about the appropriateness of using that particular data for the research question at hand (fitness of use). The evaluation of this fitness is done along several dimensions: overall relevancy and accuracy, credibility (bias free to a reasonable degree), timeliness and punctuality (availability compatible to the events under scrutiny), interpretability (precision of variables’ definitions), coherence (logically consistent over time and across countries), and accessibility.

A key distinction, and one with significant methodological complexities, is between single and aggregated governance indicators. A single (or individual) indicator usually covers a particular aspect of governance. For example, governance facets such as corruption, gender

equality, or human rights enforcement are each measured by an individual indicator. Prominent single indicators include World Bank's Doing Business Survey and the Investment Climate Survey. A single governance indicator is designed to assess both the commitments made by countries and the processes by which governance is implemented. The latter can be evaluated at the input or output levels, with outputs holding an edge over inputs since they comprise the effectiveness with which budgetary resources (inputs) are used. Evaluation of institutional processes is notoriously difficult, not least because of the "attribution problem" (Manning, Kraan, and Malinska 2006): it is hard to assess the individual impact of the large number of actors involved in production of public services.

Aggregate governance indicators combine various sources of information contained in a set of single indicators to produce composite indicators that hold several advantages over their individual counterparts. They may cover more countries than the included individual indicators; they may improve governance measurement in terms of precision; and may allow for testing for cross-country differences.

There are several risk associated with aggregating individual indicators. First, the specificity of the original indicators is amalgamated away. Second, merging several facets of governance may lead to a less meaningful governance measure in the absence of a clear underlying model. Kaufmann, Kraay, and Zoido-Lobaton (1999a) offer a prime example of an aggregate governance indicator. They boil down hundreds of governance indicators into six dimensions of governance: voice and accountability, political instability and violence, government effectiveness, regulatory burden, rule of law, and graft.

One important limitation of the aggregate indicators such as these is imprecision, which materializes in large confidence intervals of the computed governance scores. This, in turn, prevents the (statistical) detection of cross-country differences and makes classifying countries into groups difficult. However, in a series of papers that span the last decade, Kaufmann et al

show that (1) three quarters of changes in indicators flow from changes in underlying scores as opposed to changes in assigned weights or underlying sources, and hence the statistical distortion of the governance measurement is minimal; and (2) by introducing a dynamic version of their unobserved components model they prove the superiority of their aggregate indicators over any individual indicators in terms of spotting trends in governance.

As we noted in the first section, the OECD has launched its own project on measuring public sector reform, *Management in Government: Comparative Country Data* (OECD 2005), the declared goal being the publication of “Government at a Glance” in 2009. The OECD study focuses on providing the tools that would allow easy cross-country comparison of public management reform by tracking progress over time and putting in place opportunities for learning from other countries’ experiences. The public policies being addressed in this analysis revolve around tax policy, economic regulation, and spending in fundamental areas such as education, R&D, and infrastructure. The lesson learning process concentrates on sector efficiency and institutional effectiveness. However, the goal is not to provide an overall score measure that would rank countries in a unique fashion. Rather, the goal is to ensure that the existing surveys are consistent and better coordinated and that a set of datasets across OECD countries can be used by governments to compare their performance with others.

Governance indicators are either perception-based or fact-based, each with specific pluses and minuses. The latter types of indicators are replicable in the sense that publicly available data can be used to reproduce them, making them more transparent for users than the perception-based ones. However, a significant degree of subjectivity is injected in the fact-based indicators both in terms of the data inclusion decision, and of the interpretation of the relative importance of the specific facts for the quality of governance. A more transparent process of constructing the fact-based indicators will go a long way in making them more concrete and easier to use. Certainly, the fact-based and perception-based indicators are complementary.

Today's users of governance indicators have a tendency to rely mostly on perception-based ones. This trend has several explanations. Firstly, the data needed to produce fact-based indicators for a comprehensive set of developing countries are simply not available or lack in quality. Second, the data often reflects preponderantly the formal aspects of the institutional framework that they are meant to characterize, neglecting both the reality of these formal aspects and the informal features of the economy/polity. The gap between the de jure and the facto aspects of the rules in a developing economy is bound to be large due to the high enforcement costs, which is the defining feature of a poor institutional environment. As a result, fact-based indicators are likely to be at a disadvantage in measuring the reality on the ground as compared to perception-based ones.

Chief among the problems besetting governance indicators, including the carefully constructed ones, are the lack of transparency and comparability over time, the presence of selection bias, and the fact that they fail to identify clear paths the developing countries could use to improve governance quality. However, different user groups face different challenges in employing governance indicators. For illustration purposes, we focus on three distinct groups of users: international investors, aid donors, and development researchers.

Private capital flows increased tremendously in the last decade. Foreign direct investment (FDI), portfolio investment, or international bank loans, all reached unprecedented levels both in absolute terms and as a ratio to official development assistance (ODA). This trend warranted more efforts in the area of decision making pertaining to investment that increased both extensively and intensively: extensively due to the increased volume of capital flows; intensively due to the added dimensions of the decision process. Until recently, international investors relied heavily on "sovereign risk" assessments as provided by rating agencies such as Moody's or Standard and Poor's. These ratings are based mainly on standard objective data such as GDP growth and fiscal balance. However, most country risk ratings have not proved very good at

predicting financial crises, which were exceedingly costly for all parties involved. This prompted a search for better measures of risk, which led investors to pay attention to the quality of governance as a key risk factor for developing countries.

Studies document a clear recent trend by investors in using governance indicators to inform their investing and lending decisions, especially for developing, non-OECD countries. In addition, studies indicate a predilection for the use of composite governance indicators, such as the KKZ, that use a large variety of data sources, offers an easy way to use index number to base the investments upon, and economizes on working with many disaggregate components. The danger lies in all investors relying too much on a small set of prominent indicators: to the extent these indicators are removed from “the fundamentals” or are used carelessly, they have the potential to trigger financial crises more severe than back in the 1990s when governance did not play such a prominent role.

Donors are found to rely more heavily on the quality of governance when making the decision to allocate aid across recipient countries (Burnside and Dollar, 2004). It is generally accepted that there is a strong correlation between the quality of governance and development assistance effectiveness. As a result, the demand for governance indicators that can constitute consistent criteria for aid allocation has increased tremendously. There are problems associated with the use of governance indicators for this purpose.

The CPIAs, while carefully constructed by the Bank’s staff, have not prompted developing countries to improve governance in key areas because of insufficient transparency. CPI, although presently a ranking of corruption levels, it is widely used as a measure of performance of anti-corruption policies. This use is misleading in many ways: the methodology is modified from year to year, and the inherent measurement errors prevent CPI to meaningfully rank countries having close scores. Almost all indicators suffer from the lack of compatibility of

score over time. These problems indicate that making decisions on aid allocation based on the indicators and making too much of changes in a country's ranking is not warranted.

Another illustration of the dilemmas related to the use of the governance indicators is the Millennium Challenge Account (MCA), a fund established in 2002 to enhance the US official development assistance. MCA uses 16 indicators, including five of the six KKZ indicators. Notably, the control of corruption indicator is used as an "in or out" criterion, with countries scoring below the median being ineligible for aid. While KKZ indicators are carefully constructed, they do embody a measurement error and as a result there is a significant probability that countries could be falsely assigned to the bottom half. This and other pitfalls do not seem to discourage such inappropriate use of the composite governance indicators.

Researchers working in the economic development field, including the World Bank's own economists, do not seem immune to the mistakes flowing from unsuitable use of governance indicators. It is just too tempting to use the indicators as an explanatory variable in econometric studies, ignoring the repeated warnings that changes from year to year in indicators such as CPIAs, CPI, or FH, are not meaningful. An additional problem stems from the infelicitous use of averages of composite indicators which negates the statistical benefits built into the aggregation method used to produce the indicators and the associated measurement error. Such usage had led to bold claims linking the quality of a country's policies and institutions to growth performance, FDI inflows, or debt risk.

Most composite indicators are exceedingly complex by design, given the large number and variety of data sources and/or indicators used to construct them. This complexity, while representing part of the cost paid in order to squeeze in as much information as possible, also makes the indicators quite difficult to interpret. The inherent lack of transparency makes it hard to identify the actual governance factors being measured. Aggregating several composite indicators

together, such as several of the six KKZ indicators, further clouds the meaning of the resulting measure.

Arndt and Oman (2006) provide a careful overview of the KKZ indicators and offer an analysis of the problems associated with their construction and use. The problems include the correlation of errors among the 37 data sources used to construct the indicators, which limits the validity of cross-country comparison between countries; the significant overlap of the confidence intervals for two indicators for a given country in two different years for the vast majority of possible score changes leads to little ability for the KKZ indicators to flag a real change over time; the presence of sample bias as reflected by KKZ's emphasis on business-oriented perceptions which seem to differ from those reflected in local population surveys (DIAL 2006); and insufficient transparency, flowing from the use of sources and indicators that are themselves lacking in transparency or precision. The main authors of the KKZ indicators answer Arndt and Oman and other critics in a March 2007 paper (Kaufmann, Kraay, and Mastruzzi – 2007).

The production and use of the governance indicators can and should be improved along several dimensions. Chief among those are the need for more transparent indicators and, not unrelated, the retooling of indicators leading to better suitability for both internal and external users attempting to improve local governance. Transparency represents an imperative for several reasons. Given the wide range of users of the governance indicators, from international investors, to providers of official development assistance, to academics and other analysts, there is a clear need for clarity in the way the governance-related information is produced, disseminated and employed. In addition, since there will never be a perfect indicator reflecting the subtle mix of aspects characterizing national governance systems, the best strategy in using indicators to make investment or assistance decisions involves the use of a battery of indicators. As such, transparently produced indicators would aid tremendously in putting together an optimal set which has a good chance of offering a sufficient yet not overwhelming amount of information.

Helping internal and external stakeholders making the best decisions with respect to enhancing governance of developing countries is arguably one of the most important functions of the indicators. Useful governance indicators would necessarily shed light on the underlying mechanisms that cause governance problems, permitting policy makers and other agents of change to address these problems more effectively and engineer the much needed improvement in the quality of governance. This avenue, if pursued forcefully by all the actors involved, from international investors to providers of aid to academics, holds great promise. Not only will we understand better what are the institutions best suited to bring about improved governance, but the emergence of a theory of governance becomes likely, which will in turn provide positive feedback into the design of superior indicators. Transparency is the key instrument facilitating progress along this path through a better understanding of strengths and weaknesses of the indicators. Achieving greater transparency requires full disclosure of the characteristics of the primary data being used, of the assumptions underlying the construction of the indicators, and nuts and bolts of the methodology molding the ultimate meaning of indicators.

Governance Indicators, Globalization, and Policy Diffusion

This paper opened with the argument that the growth of governance indicators has been linked to the global public management reform movement in the past two decades, particularly as it has been driven by international organizations and the donor community. We also made the argument that indicators are a species of standards, since they reflect assumptions about what constitutes good governance. The rankings and ratings of Transparency International or KKZ imply that states can be compared as more or less corrupt, more or less representative. As we noted in the last section, the measures or indicators used to achieve these results are not innocent, nor are they completely neutral.

Our interest in this concluding section is to consider the role of governance indicators and

the standards that they imply in facilitating policy diffusion and convergence around public sector reform principles. The literature on policy diffusion actually began with analyses of the diffusion policy models among American states (Walker, 1969; Collier and Messick, 1975; Eyestone, 1977), and it was only in the early 1990s that the focus shifted to cross-national borrowing or policy transfer. Wolman (1992) noted that at that point almost nothing was known about the process of policy transfer, how ideas get noticed across countries and implemented. Rose's (1993) seminal work on lesson-drawing in public policy explicitly addressed policy learning across space and highlighted the role of international governmental organizations:

Intergovernmental and international organizations encourage exchange of ideas between countries with similar levels of economic resources. The European Community and OECD encourage exchanges among advanced industrial nations. The collapse of the Communist system is creating a group of more than a dozen states that may learn from each other ways to make a transition to the market economy and democracy. The IMF promotes lessons drawn from the experience of countries that have large foreign debts, and the World Bank and many United Nations agencies focus on programs of concern to developing countries. (105)

Bennett's work (1991; 1992; 1997) was a sustained attempt to explore policy transfer or diffusion. In one work, for example, he analyzed models of cross-national diffusion of policy around three public administration innovations: the institution of the ombudsman, freedom of information legislation and data protection (information privacy) law. He concluded that there was no one method of diffusion, but that there were different dynamics of adoption: lesson-drawing (where governments see a problem and borrow an existing solution), legitimation (referring to other international examples to satisfy domestic critics), and harmonization. The latter is facilitated by international agencies: that with respect to data privacy, the nature of the problems of transborder data flows impelled legislation spearheaded by OECD and the Council of Europe in 1981 that then "became a powerful, if not determining, incentive for adoption: failure to act would have meant an inability to ratify the Council of Europe Convention, an exclusion from the 'club' within which personal data could be legitimately communicated, thus causing adverse economic consequences especially for the service sector" (1997: 228). This insight was

supported by Dolowitz and Marsh (1996; 2000) in the following observation: “[I]nternational governing organizations (IGOs), such as the OECD, G-7, IMF and the UN and its various agencies, are increasingly playing a role in the spread of ideas, programs and institutions around the globe. These organizations influence national policy-makers directly, through their policies and loan conditions, and indirectly, through the information and policies spread at their conferences and reports” (2000: 11). Dolowitz and March develop a model based on several key questions: why the transfer, who is involved in transfer, what is transferred, from where, what degrees of depths of transfer, constraints, how to demonstrate transfer, and how transfer leads to policy success or failure. Only a few of these are relevant to our discussion. One is the reason or dynamic behind transfer. Dolowitz and March usefully develop a continuum that stretches from lesson-drawing (voluntary transfer) to coercive transfer (direct imposition). Voluntary transfer can still be driven by a sense of necessity, but is distinct from, for example, aid that is tied and conditional upon the implementation of certain policies. As to what is transferred, they highlight eight categories: policy goals, policy content, policy instruments, policy programs, institutions, ideologies, ideas and attitudes, and negative lessons. Finally, as to who does the transferring, while they underscore the important role of international governmental organizations and NGOs, their discussion still privileges the transfer of *national* experiences, even if through international venues or institutions. The borrowing or transfer is about national policy models.

Sahlin-Andersson has made the point that NPM “is a trend that is for the most part internationally and transnationally formed” and that consequently “more elaborate explanations are called for, explanations that go beyond the national level” (2003: 44). She focuses on international organizations, specifically the OECD, but also on a wider global policy community consisting of a range of actors: “In addition to reformers, there are a number of observers and mediators of reform ideas and experiences, such as researchers, international organisations, consultants and publications. They produce and provide information and comparisons, report on

and propose initiatives for change and act as arenas for the exchange of how to reform” (ibid.: 45). She sees the process of transnational reform production as a type of editing, where texts are produced by authoritative organizations, focusing attention on “best practices and providing templates and prototypes, and which are then translated or edited into a national idiom in terms of historical and policy experience.

Sahlin-Andersson concentrates on the NPM reform project in terms of actual practices. This paper has focused more on an underlying substratum of standards and norms of what allegedly constitutes good governance. The governance indicators discussed in this paper are a species of “soft law” – standards, norms, guidelines, and frameworks, rather than coercive commands. States are clearly involved in both developing and accepting these types of norms, but are not necessarily prime movers or dominant players in respective networks: “Governance in a world where boundaries are largely in flux is being shaped and pursued in constellations of public and private actors that include states, international organizations, professional associations, expert groups, civil society groups and business corporations. Governance includes regulation but goes well beyond. Governance is also about dense organizing, discursive and monitoring activities that embed, frame, stabilize and reproduce rules and regulations” (Djelic and Sahlin-Andersson, 2006: 7).

The dynamics of global coordination through standards are different from policy transfer or policy diffusion. As we noted, that literature has three distinguishing elements. First, the transfers typically are conceptualized as transfers among states, though this may occur through the medium of international organizations. States copy and imitate each other. There are leaders and laggards, and best practices that are emulated and adapted to local circumstances. The amount of transfer and coordination that takes place in this way, at middle levels of professional public servants and state actors, is considerable, and amounts to a loose global coordination around a host of policy areas (Slaughter, 2004). A second characteristic is that what is being

transferred is usually a set of practices (or in Sahlin-Andersson's terms, descriptions of practices through global policy networks), ideas, models, or institutional architectures. As such, the transfer or emulation is usually delimited in time. A third characteristic is that while there is a wide range of actors involved in policy transfer and diffusion (consultants, corporations, supranational institutions), the key players are public officials – they confer, they compare models, they discuss implementation of those models.

It is easy to see how policy transfer or emulation creates a loosely coordinated global system of governance. Imagine a world consisting of five states with completely dissimilar political and public sector institutions. Those institutions may be performing the same functions (e.g., central bank), but if they operate according to different rules and practices, *resulting policies and programs will also be dissimilar*. Imagine now that one of the countries develops a central bank model that is considered to be “best practice” and is largely (not completely) emulated by the other four states. The very process of emulation and transfer will involve discussion and exchange, the development of a common language and governance discourse. Once the institutions are established, the possibilities for potential cooperation and coordination are increased on the basis of common practices.

Global coordination through standards – such as governance indicators – is obviously connected to policy transfer, but has a different dynamic. First, and most importantly, there is no transfer in the first instance, but only monitoring and measurement. Standards and norms are benchmarks by which organizations can assess governments and states along continua of interest. Corporations using the ICRG are not interested in the first instance in transferring practices and institutions, only in being able to compare the investment climate in country A with country B. The same is true of the World Bank's CPIA or the KKZ – these are metrics of measurement, not of transfer. Of course, if countries fall short of a standard and need to improve it, policy transfer and emulation then will likely take place. A second difference is that whereas policy transfer is

usually about one model or one program or cluster of instruments, the measurement dynamic leads more frequently to the consideration of wider public sector “systems.” For example, public financial management is a broad field with dozens of different dimensions, institutions, and players, and of course is increasingly seen as crucial to the aid enterprise. Something called the Public Expenditure and Financial Accountability (PEFA) inter-agency partnership in 2005 issued a report on their efforts over the years to develop a common public finance system measurement platform. These PEFA Performance Indicator set includes 28 different measures, classified broadly under credibility of the budget; comprehensiveness and transparency; and aspects of the budget cycle (policy-based budgeting; predictability and control in budget execution; accounting, recording, and reporting; external scrutiny and audit) (Levy, 2007: 53). Agencies use the tool to monitor an entire budgeting system, as a diagnostique that is then the basis for much more finely calibrated recommendations about system change. A third difference, obvious but important, is that indicators and standards involve monitoring and oversight. This is the panopticon referred to in our title. Policy transfer of course requires some knowledge of best practices and what is being transferred, but it does not involve continuous review, monitoring and measurement. Governance indicators are not mere observations about a best practice, but regular measures, repeated over time to provide a series of observations, and which allow comparisons across governments and systems (though as we noted above, these comparisons are often fraught with complications).

This quality of panoptic monitoring, whether as single or aggregate indicators, or whether based on subjective or objective data, gives prominence to a different set of actors not as visible in pure policy transfer or diffuse – the researcher and social scientist. Indicators have complicated methodological underpinnings, metrics have to be designed, weights assigned to different measures and surveys designed, administered and analyzed. Experts are of course involved in policy transfer, but not to the same degree. Moreover, it is striking how (outside of economic indicators such as the ICRG or the Economist Intelligence Unit, which charge fees to client

corporations for their data) prominent international organizations, donors and foundations have been in supporting at least the key indicators that they themselves use and apply to make aid decisions. The IMF, the OECD, the World Bank, other regional banks, and leading bilateral donors such as DFID have been key players in both supporting the development of different indicators, but also in their pilot applications in different countries. There are also some prominent NGOs and university-based centres that have been engaged (the universities in part because of the premium on social science expertise).

A final observation is that governance indicators spawn yet more indicators as part of the broader performance measurement movement that we described at the beginning of this paper. The logic of indicators is that they provide metrics, based often on a relatively unspecified model but a model nonetheless, that reflects standards of conduct in a sphere of public policy. In the example of public procurement, the first wave was a set of indicators at the international level to measure the quality (transparency, competition, controls, value for money – reflected in the PEFA) of procurement systems. But these are *external* measures, and indeed may be based on subjective opinions of experts or business surveys. The ambition behind monitoring is that the systems themselves develop their own metrics and make them available to both domestic and international actors. This is what happened with procurement, as some countries gradually introduced tools such as asset registries, electronic procurement systems, and integrated their institutional performance measures with the OECD's Baseline Indicator of Procurement Systems (BIS) (Levy, 2007: 39).

A current example of the widening and deepening of indicators is the World Bank's new emphasis on "actionable indicators" (World Bank, 2007). The initiative is driven by the Bank's intent to better measuring the results of its lending and other interventions. It involves greater reliance among Bank staff themselves in incorporating indicators in their decision-making, and among countries, which will have to play to Actionable Governance Indicators (AGIs):

Actionability, in short, implies greater clarity regarding the steps governments can take to improve their scores on an indicator, i.e. if the government successfully undertakes reforms in certain areas, relevant indicator(s) will respond in a favorable direction. Conversely, actionability is reduced to the extent that an indicator is sensitive to extraneous factors, i.e. if most observed changes in the indicator are explained by factors beyond the control of governments, it is not likely to be useful as an indicator for monitoring government's progress in implementing public sector reforms. ...

The AGI initiative aims to develop new and expand usage of existing AGIs in the Bank's support to governance reforms and to supplement these indicators with better access to existing AGI methodologies and data resources. Development of new AGI tools will cover gaps in priority areas such as Human Resource Management/Public Sector Management, sub-national governance and governance of service delivery in sectors. The AGIs are invaluable for country-focused operational work in order to identify "actionable" entry points for reforms, as well as to foster greater accountability for impacts in the Bank's support of governance reforms. (World Bank, 2007)

This paper has argued that an important but overlooked instrument in global public management coordination is the increasing reliance on governance indicators. These indicators have multiplied dramatically in the past decade, driven primarily by the interests of corporations (political risk for investments), donors, and foundations, as well as by new public management theories that have highlighted performance measurement and results. Despite serious methodological limitations, these indicators are being routinely used – and will be used more intensively if the World Bank is any guide – to make major aid decisions. Countries are expected to calibrate their policy reforms against the benchmarks established by these indicators. As we noted above, the dynamic of governance indicators is different than that of policy transfer, and is a harbinger of a new logic of global coordination through monitoring, results oriented research, and gradual convergence on systems processes that share core standards on data, measurement, criteria, and reporting.

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