

AN ANALYSIS OF GOVERNANCE ACROSS COUNTRIES BASED ON GLOBAL DATABASES

A focus on small states

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Layout of the Presentation

1. Introduction
2. The meaning of good governance
3. Brief description of the three indicators
4. Analysis of three governance indicators
5. A focus on governance in small states
6. Concluding remarks

Note: The content of this presentation is work in progress and intended to form the basis of a paper by the author on the same subject

1. Introduction

Summary of the Presentation

The presentation compares three global governance indicators for 192 countries, with a focus on small states, where small states are considered to be those with a population of 1.5 million or less.* The indicators examined are the Rule of Law index (RLI) which forms part of the Worldwide Governance Indicators, the Corruption Perception Index (CPI) and the index carried in Freedom of the World Report (FWI).

There are other indicators of governance but the mentioned three were selected for the purpose of this presentation because of the attention they have garnered world-wide.

* This cut-off point is used by the World Bank, the IMF, and the Commonwealth, although not always strictly adhered to.

Summary of the Presentation

It will be shown that these three indicators, though measuring different aspects of governance, as their names imply, produce similar tendencies with regard to country population size, but there are marked difference when a country-by-country approach is applied within the different categories of countries.

The three indicators show that, on average, small states register the highest governance scores when compared to other country categories, but the individual small states are far from being homogeneous, with some of them registering relatively high governance scores, while others relatively low scores, when compared to the rest of the world.

Generally speaking, the governance scores across countries and within the small state category are found to be highly correlated with the respective countries' income per capita.

Layout of the Presentation

The presentation is organised in six sections.

- Section 2, which follows this introduction, briefly discusses the concept of governance and the governance specificities of small states.
- Section 3 describes the three indicators mentioned above, and discusses the strengths and weaknesses of each index.
- Section 4 analyses the three indicators, organising their scores in terms of two variables at the country level, namely size, measured by population, and income per capita.
- Section 5 focuses on the governance performance of small states with regard to the three indicators.
- Section 6 concludes the study.

2. Meaning of governance

Definitions of governance

The term governance is often used to refer to action or manner of administering an entity, in its various dimensions. In this presentation it is used to refer to the political governance of a country. This term is the subject of a large amount of published studies, where the term “good governance” is often discussed, generally associated with the provision of desirable public goods.

Various definitions have been proposed in this regard. In various publications, the definition includes a list criteria for such governance. UNESCAP (undated), for example, contends that good governance is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. Other definitions, which include one or more of these criteria, are proposed by Rose-Ackerman (2017), Thomas (2000) and Srivastava (2009).

Governance in small states

When the governance of small states is considered, the issues of clientelism, excessive informality and personalism often crop up (Veenendaal and Corbett, 2020). Clegg (2020) writing about non-independent small jurisdictions, also refers to personalised politics, arguing that personalised politics tend to be an integral and inevitable characteristic of a small society where everyone knows everyone. Sanches (2020) contends that smallness poses challenges with regard to accountability, responsiveness, and representativeness, again referring to personalized and clientelistic relationships between politicians and the electorate.

These features are associated with weak institutional governance mechanisms intended to promote accountability and transparency (Alleyne and Barrow-Giles, 2020).

With regard to institutional set-ups, Briguglio (IMF) considers overhead cost indivisibility, rendering institutional development costly per capita for small states, and therefore adding to institutional weaknesses in these countries.

3. Indicators used in this study

The indicators used in this study

The three indicators* which are the subject of this study are:

- (a) The Rule of Law index (RLI) forming part of the World Bank's Worldwide Governance Indicators;#
- (b) The Corruption Perception Index (CPI);\$
- (c) The Index contained in the Freedom House report (FWI).@

These indicators attempt to provide a snapshot of governance situations across countries, generally basing their rankings and scores on surveys and perceptions of various respondents, including international organizations, NGOs, and private firms. The broad features of good governance mentioned above are taken into account by the compilers of the three indices, although the focus of indices differ, as we shall show below.

* The terms indicator and index are used interchangeably in this presentation.

Most recent version of the RLI is available at:

<https://www.worldbank.org/content/dam/sites/govindicators/doc/wgidataset.xlsx>

\$ Most recent version of the CPI is available at:

<https://www.transparency.org/en/cpi/2022>

@ Most recent version of the FWI availing at:

https://freedomhouse.org/sites/default/files/2023-02/All_data_FIW_2013-2023.xlsx

The World Bank's Worldwide Governance Indicators

The World Bank's Worldwide Governance Indicators provide a ranking for over 200 countries and territories based on six dimensions of governance: 'Voice and Accountability'; 'Political Stability and Absence of Violence'; 'Government Effectiveness'; 'Regulatory Quality'; 'Rule of Law' and 'Control of Corruption. in units running from approximately -2.5 to 2.5, with higher values corresponding to better governance. The present study uses the "Rule of Law" component of the Indicators, as it is often associated with the implementation of "good governance".

According to the authors of the Worldwide Governance Indicators the RLI measures the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the matters relating to crime and violence.

The World Bank's Worldwide Governance Indicators

The data for the RLI is obtained from think tanks, international organizations, nongovernmental organizations, and private firms across the world selected on the basis of three key criteria, namely that (a) they are produced by credible organizations; (b) they provide comparable cross-country data; and (c) they are regularly updated.

This index has been criticised on various grounds (see for example Thomas, 2010), including that it is analytically biased, as, amongst other things, commercial organisations provide some of the data, and as a result, the indicators are slanted towards the priorities of business elites and that the indicators are insufficiently transparent thus constraining replicability and review. The authors of the RLI responded to these criticism in Kaufmann et al (2010).

The Corruption Perceptions Index

The Corruption Perceptions Index (CPI) ranks 180 countries by their perceived levels of public sector corruption, as determined by expert assessments and opinion surveys." The CPI generally defines corruption as an "abuse of entrusted power for private gain". The results are given on a scale of 0 (highly corrupt) to 100 (very clean).

The CPI has been subjected to criticism for a number of reasons, including definitional issues and perception bias. Bráder (2023) argues that perceptions do not always correspond to reality. Similarly, Heywood & Rose (2014) contend that the CPI is heavily influenced by the perceptions of business leaders, and as a consequence is that corruption is often understood in terms of financial corruption that affects businesses.

The Freedom in the World Index

The Freedom of the World Index (FWI) ranks 210 countries and territories using a combination of on-the-ground research, consultations with local contacts, and information from news articles, nongovernmental organizations, governments, and a variety of other sources. The focus of the index is on the electoral process, political pluralism and participation, the functioning of the government, freedom of expression and of belief, associational and organizational rights.

The scoring methodology is somewhat complex, with a country or territory being awarded 0 to 4 points for each of 10 political rights indicators and 15 civil liberties indicators; a score of 0 represents the smallest degree of freedom and 4 the greatest degree of freedom.

The Freedom in the World Index

Again, the FWI index encountered criticisms often referring to biased results. For example Mainwaring et al. (2001) wrote that the Freedom House index had "two systematic biases: scores for leftist were tainted by political considerations, and changes in scores are sometimes driven by changes in their criteria rather than changes in real conditions".

Cobham (2013) argues that the index is to a large extent based on perceptions of an internationally focused elite persons, typically from a corporate background and perhaps a similar education.

So what do we make of these three indices?

Governance indicators are useful for various reasons, including that they produce quantitative evidence which can be used to help countries track their quality of governance and the improvements or deterioration of such quality over time. The indicators are also useful for international investors and ODA donors in assessing their options.*

Such indicators are also of interest to academics, and a large number of publications have been produced on this subject. However, as can be seen from the above comments on the three governance indicators, they have weaknesses, and may lead to placing too much faith in numbers and treating governance indicators as fully reliable measures, reinforcing normative assumptions and assuming causation where there is only correlation (Williams, 2011).

* A general discussion of such indicators is given in Arndt and Oman (2006).

4. Analyses on the three indicators

The three indices are highly correlated

The three indices which are used to measure governance quality in this presentation cover the period 2012 to 2022, and the scores reported are averaged over this period. One-hundred and ninety one (191)* countries are covered, of which forty three have a population of 1.5 million or less.

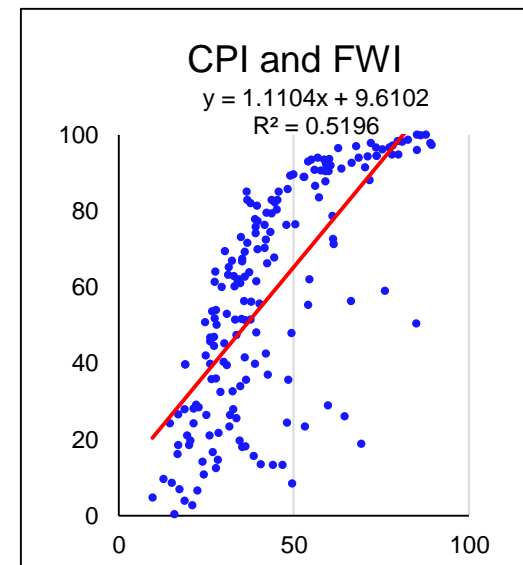
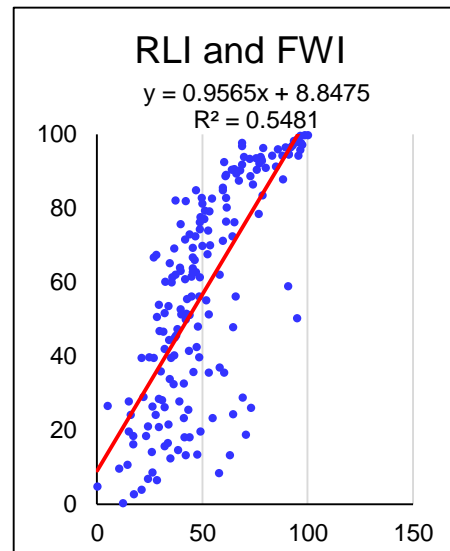
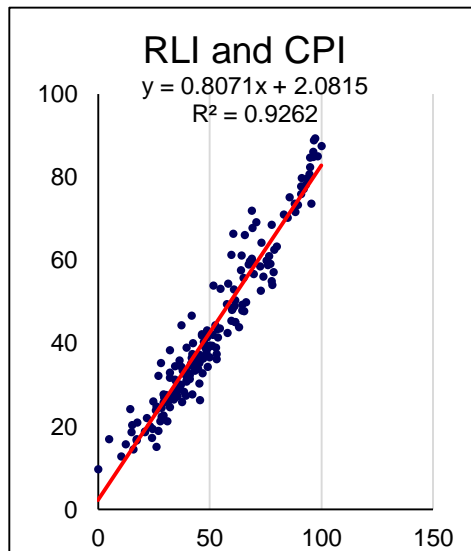
In the analysis we shall correlate the governance scores with population size and per capita income across countries, also averaged over the same period.

In the case of small states, as a category of interest in this presentation, annual changes of governance scores over the same period are also reported.

* Eleven small countries are missing from the CPI, but the tendency that governance scores tend to decrease with country size remains and to increase with income remains. The missing small states are* Eleven small countries are missing from the CPI, but the tendency that governance scores tend to decrease with country size remains. The missing small states are Antigua and Barbuda, Belize, Kiribati, Marshall Islands, Micronesia, Nauru, Palau, Samoa, St. Kitts and Nevis, Tonga and Tuvalu The full list of small states is shown in Figures 5a and 5c

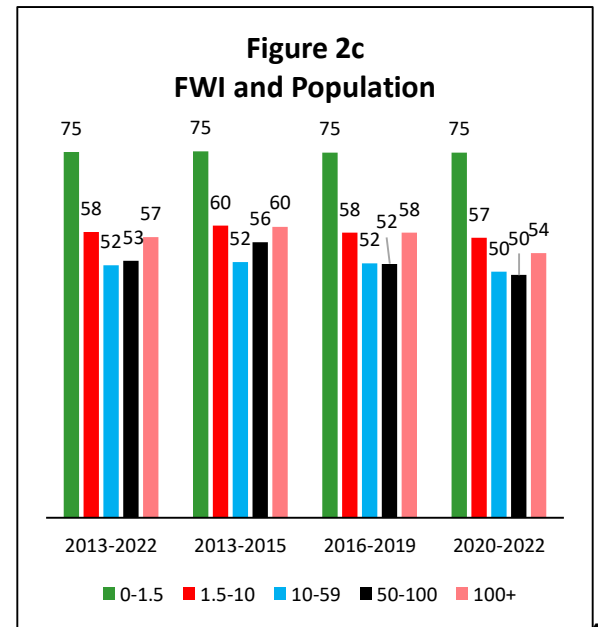
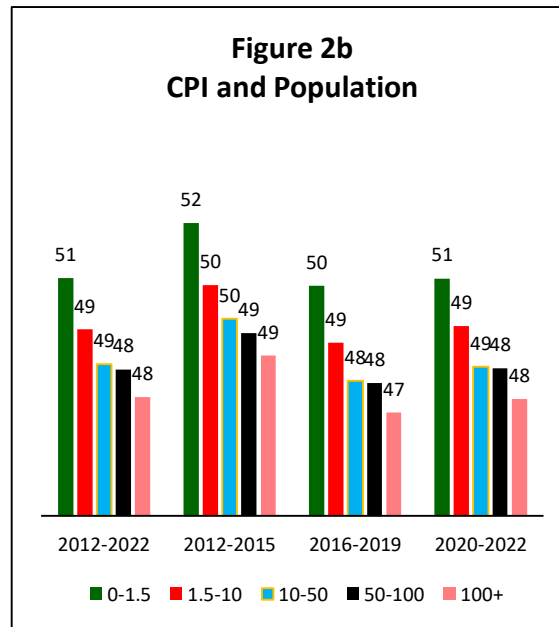
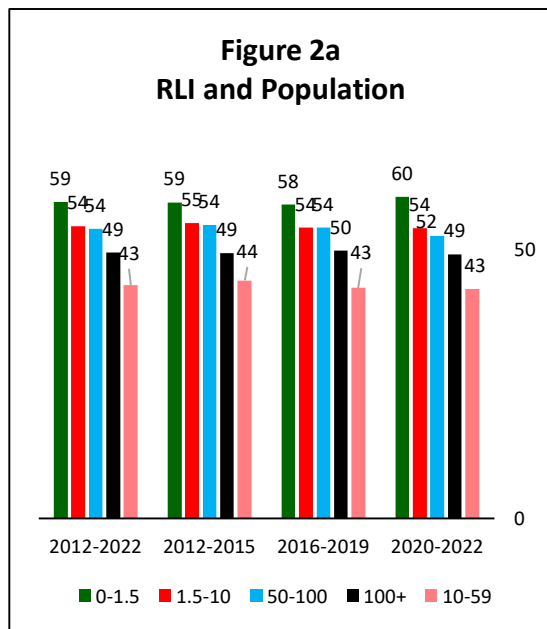
The three indices are highly correlated

As can be seen in Figures 1a, 1b and 1c, the three indices are highly correlated, with the highest correlation score being that between the Corruption Perception Index (CPI) and the Rule of Law Index (RLI). The Freedom House Index (FWI) is correlated with both the CPI and the RLI but with a lower coefficient, one reason possibly being that the FWI assigns relatively lower scores to countries depending on oil money, when compared to the other indices.



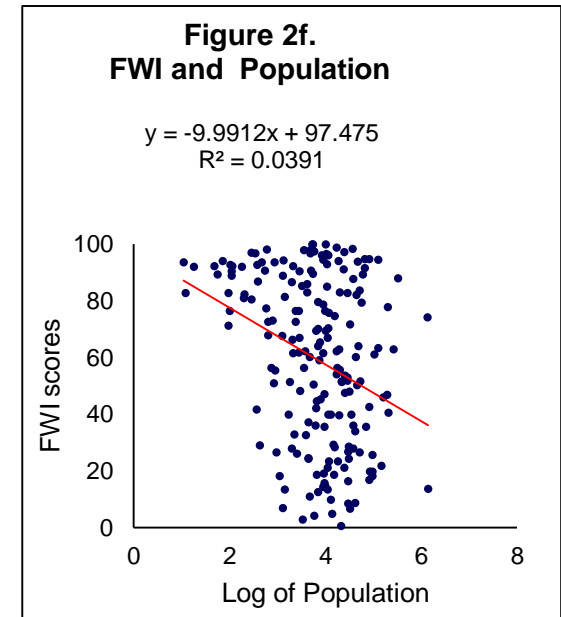
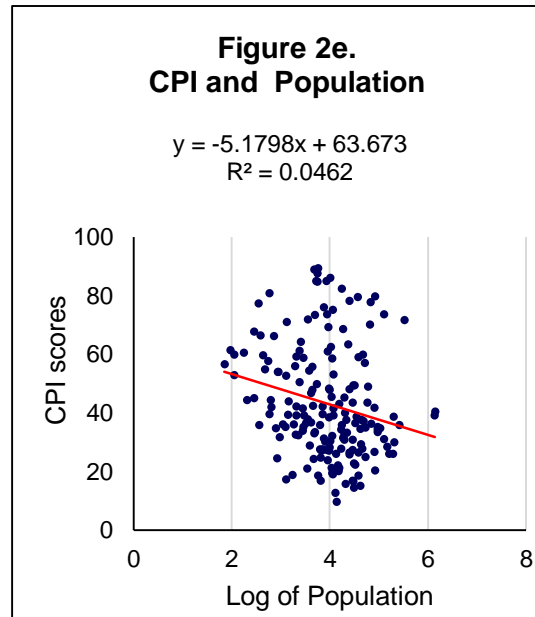
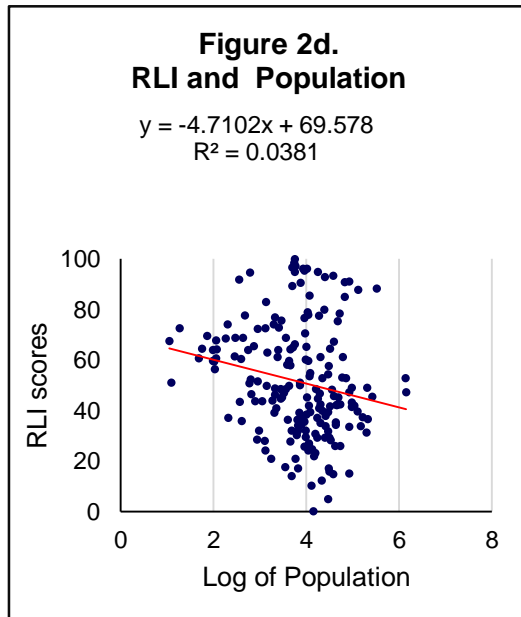
The three indices and country size

In Figures 2a, 2b and 2c all three indices show that small countries (population up to 1.5 million) register the best governance scores on average, when compared to countries with larger populations during the whole period under consideration and during three sub-periods. As we shall show below, however, this group consists of countries with highly varying governance scores. The three indices also show that there is a tendency for the governance score, on average, to decrease as countries increase in size.



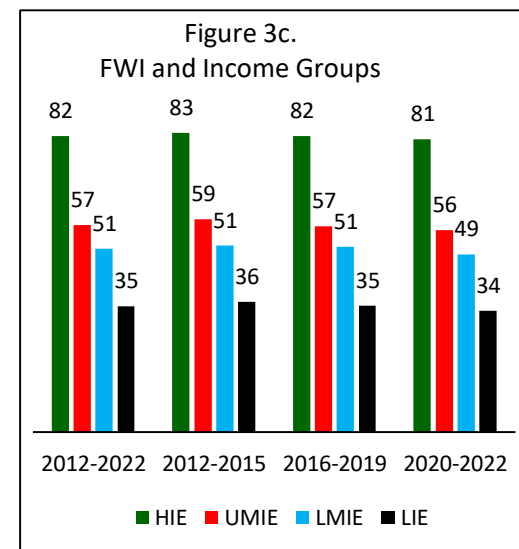
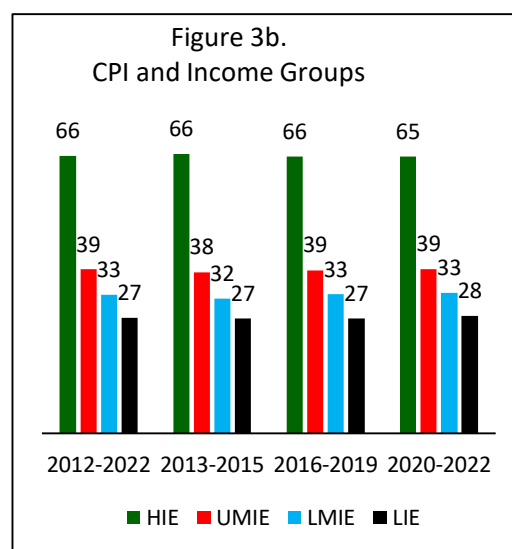
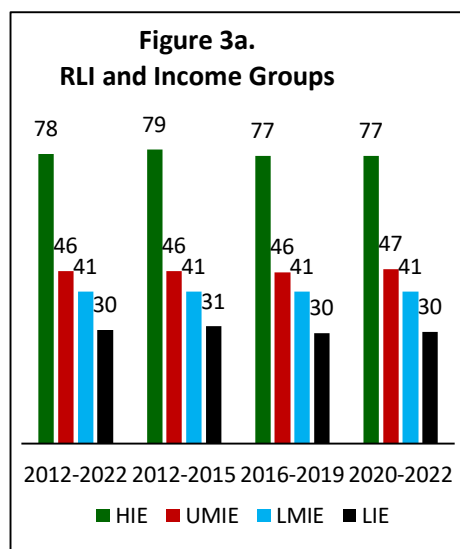
The three indices and country size

A more detailed picture of the relationship between the indices and population size, showing the scores for individual countries averaged over the period 2012 and 2022, confirm that all three indices exhibit a negative correlation between country size and governance scores across countries, but the correlation coefficient is very low, indicating that there are many exceptions to this tendency and that the averages in Figure 2a , 2b and 2c conceal a relatively wide dispersion in in each population group.



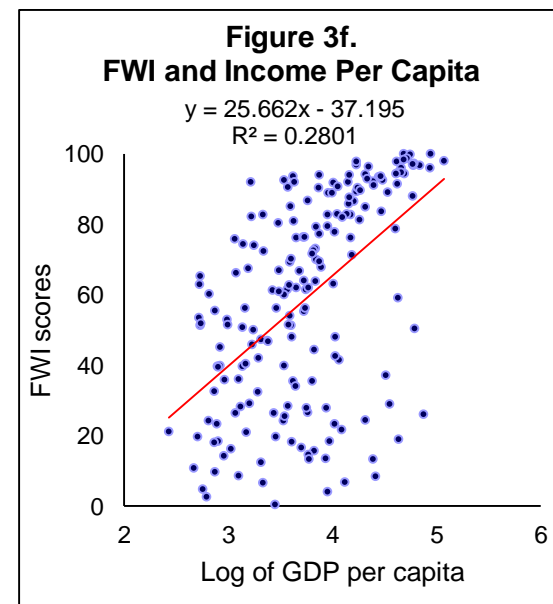
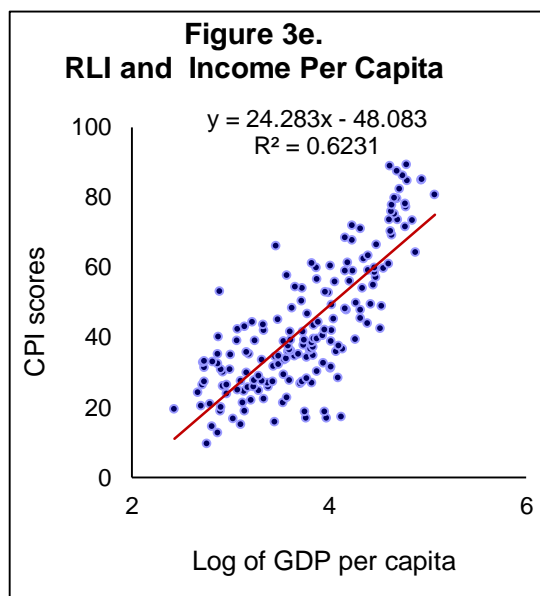
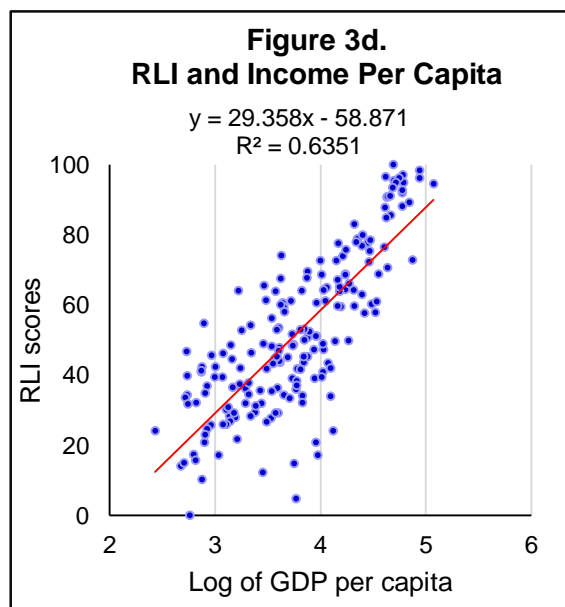
The three indices and income per capita

In Figures 3a, 3b and 3c the three indices show that High Income Economies (HIE) register higher scores than Upper Middle Income Economies (UMIE), with the latter registering higher scores than Lower Middle Income Economies (LMIE) and Low Income Economies (LIE) during the period under consideration and during three sub-periods. Thus, the three indices show that there is a tendency for the governance score, on average, to increase with an increase in income, across countries. As we shall show below, however, each group consists of individual countries with different governance scores.



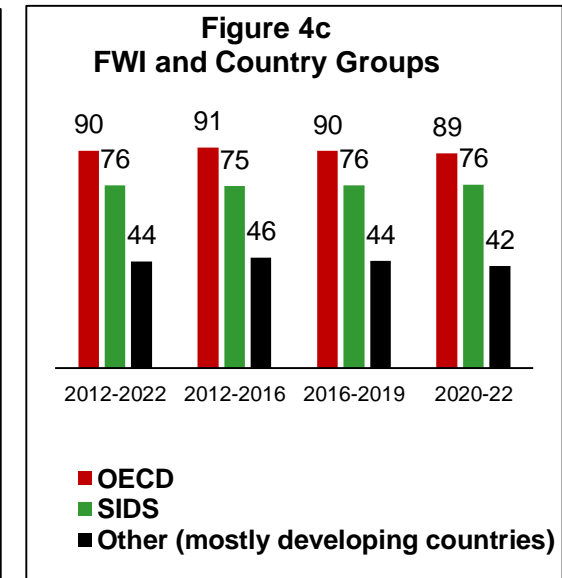
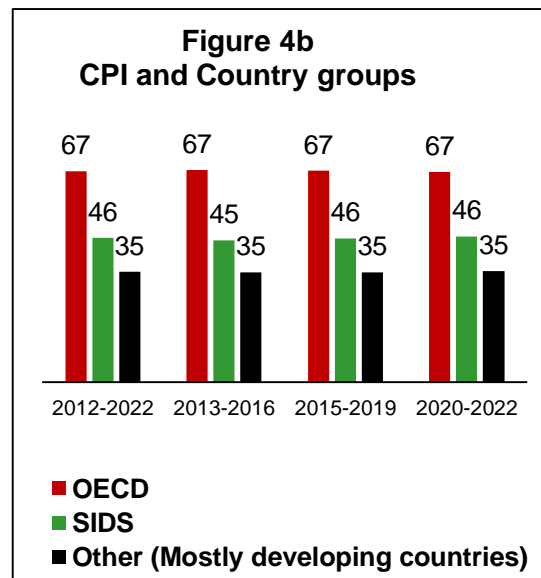
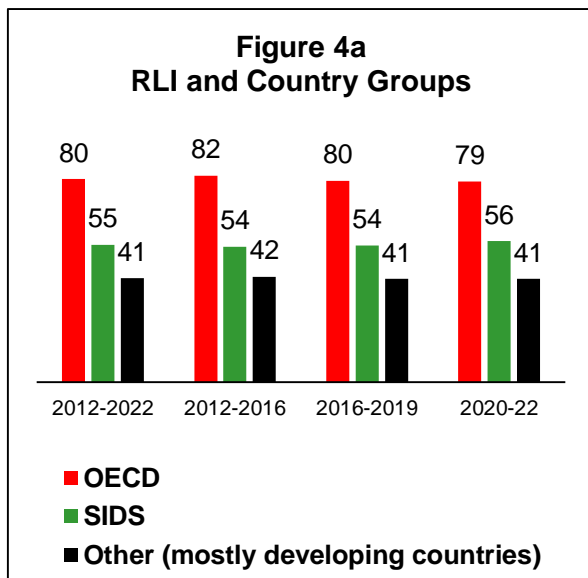
The three indices and income per capita

A more detailed picture of the relationship between the indices and income per capita, showing the scores for individual countries averaged over the period 2012 and 2022, confirm that all three indices exhibit a positive correlation between country size and income per capita across countries, with a relatively high correlation coefficient in the cases of Figure 3d and 3e, indicating that there are a high rate of dispersion with regard to this tendency. The correlation coefficient in Figure 3f is lower than those of Figures 3d and 3e, suggesting that the FWI average shown in Figure 3c has a wider standard deviation.



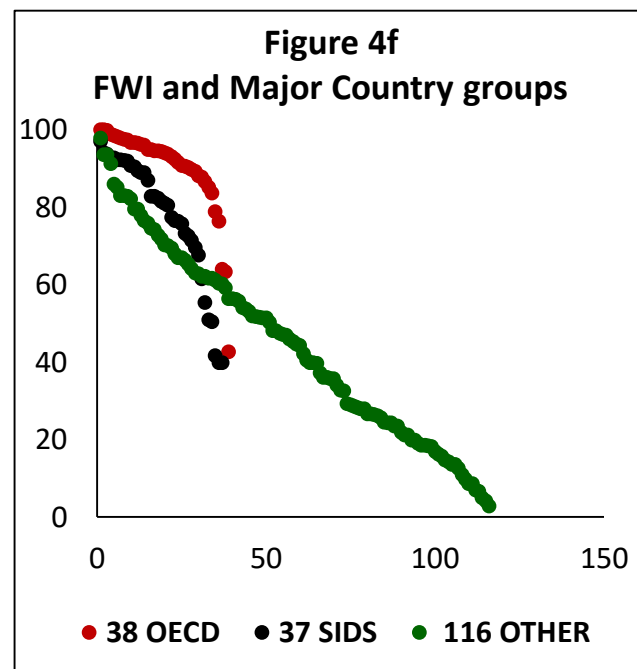
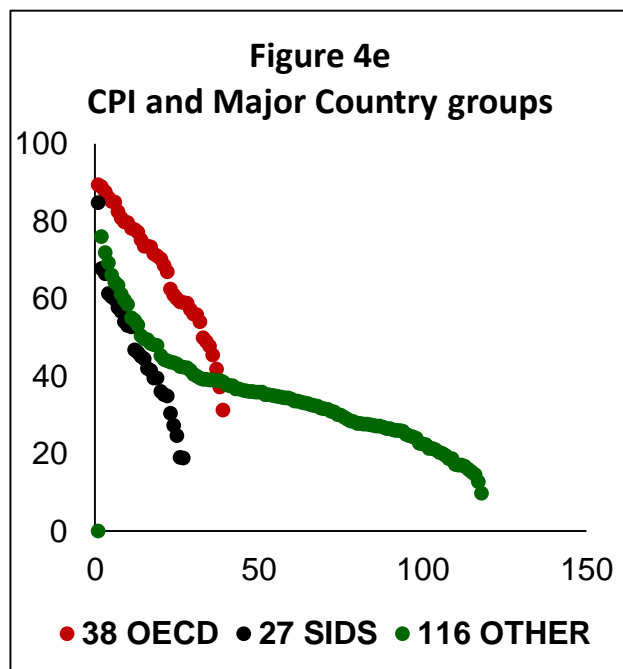
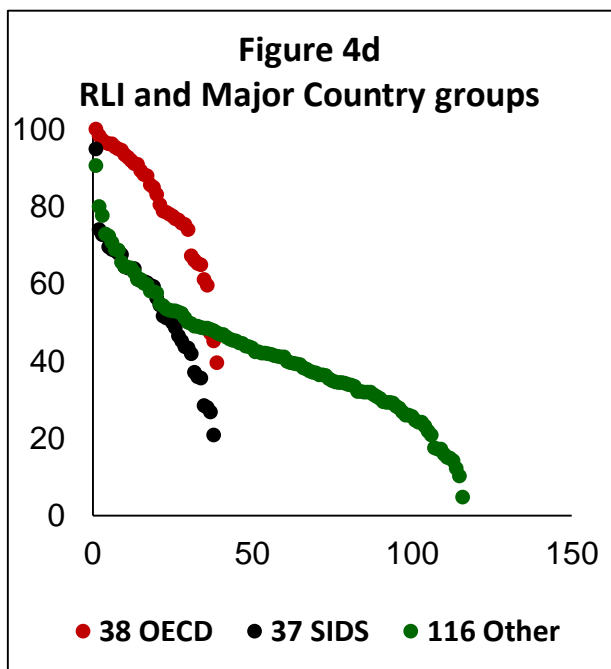
The three indices and major country groups

Figure 4a, 4b and 4c show the governance scores classified by major country groups. In a way they are in line with the findings of Figures 2 and 3. The OECD countries are those with the highest income per capita on average, registering relatively high scores as indicated in Figure 3. SIDS are mostly middle income countries, and therefore, again, correspond with the results of Figure 3. The remaining countries are developing countries, with many of them in the lower income categories.



The three indices and major country groups

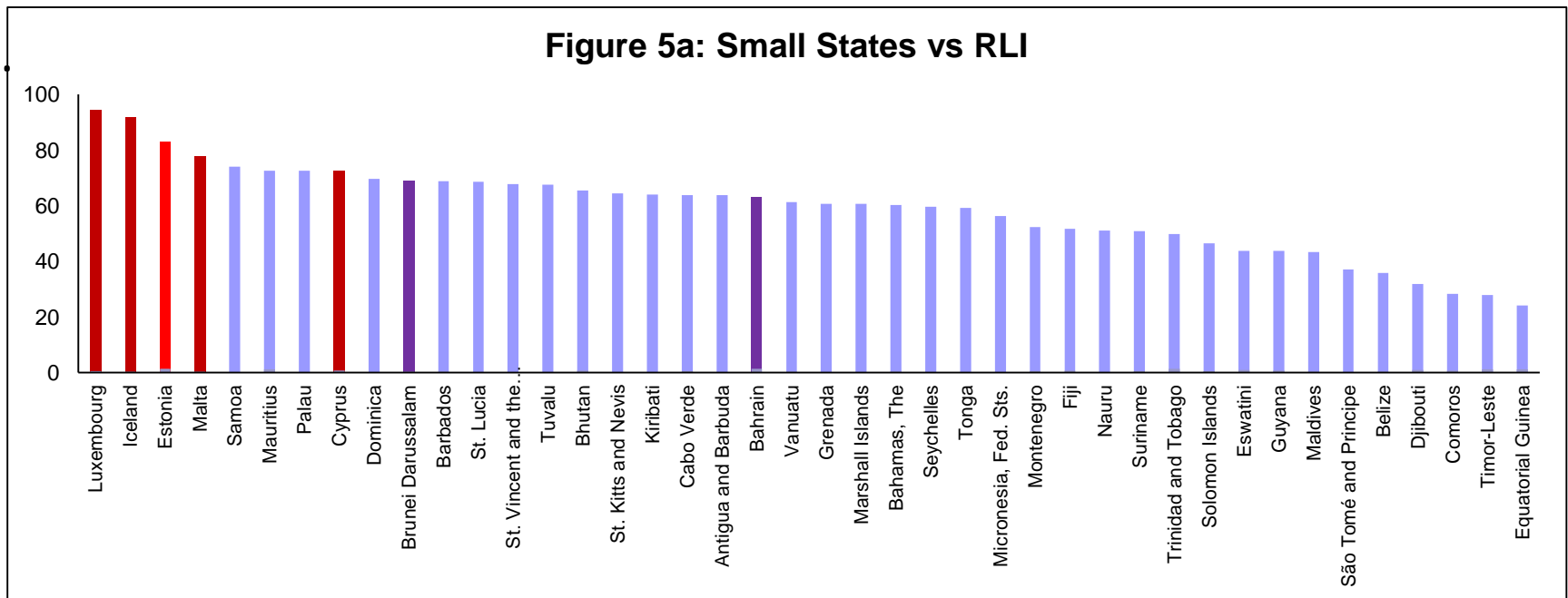
A country-by-country picture with regard to the three categories of countries is given in Figures 4d, 4e and 4f, again, which show the scores for individual member countries of each group, averaged over the period 2012 and 2022. It can be seen that the averages shown in Figures 4a, 4b and 4c, particularly the “Other” category which is mostly made up of larger developing countries, conceal considerable variation in terms of governance scores.

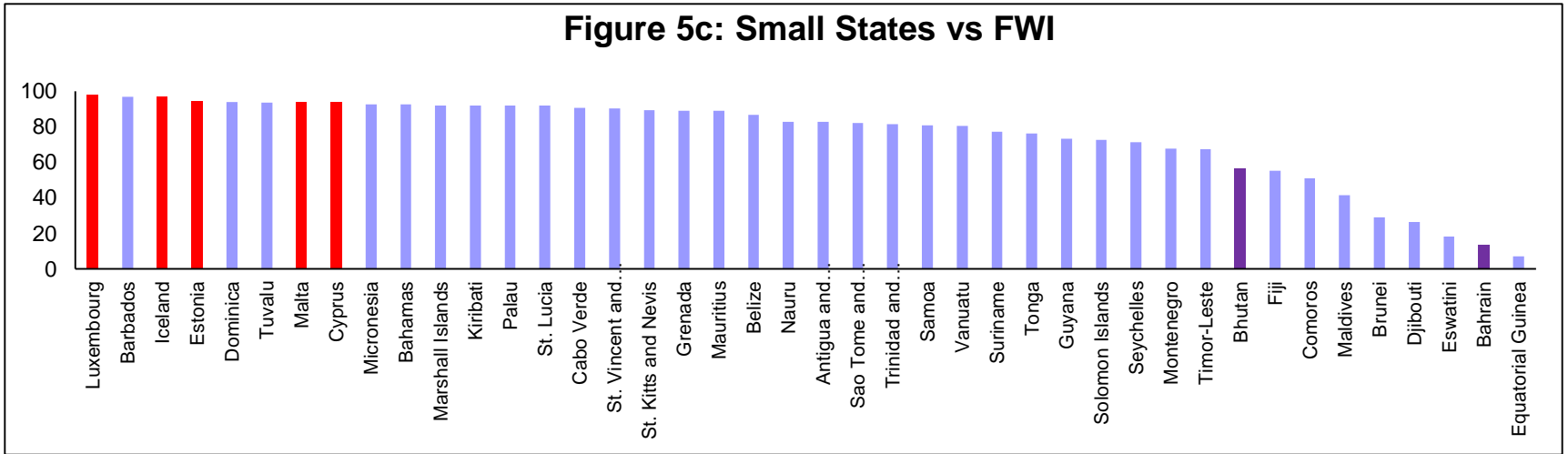
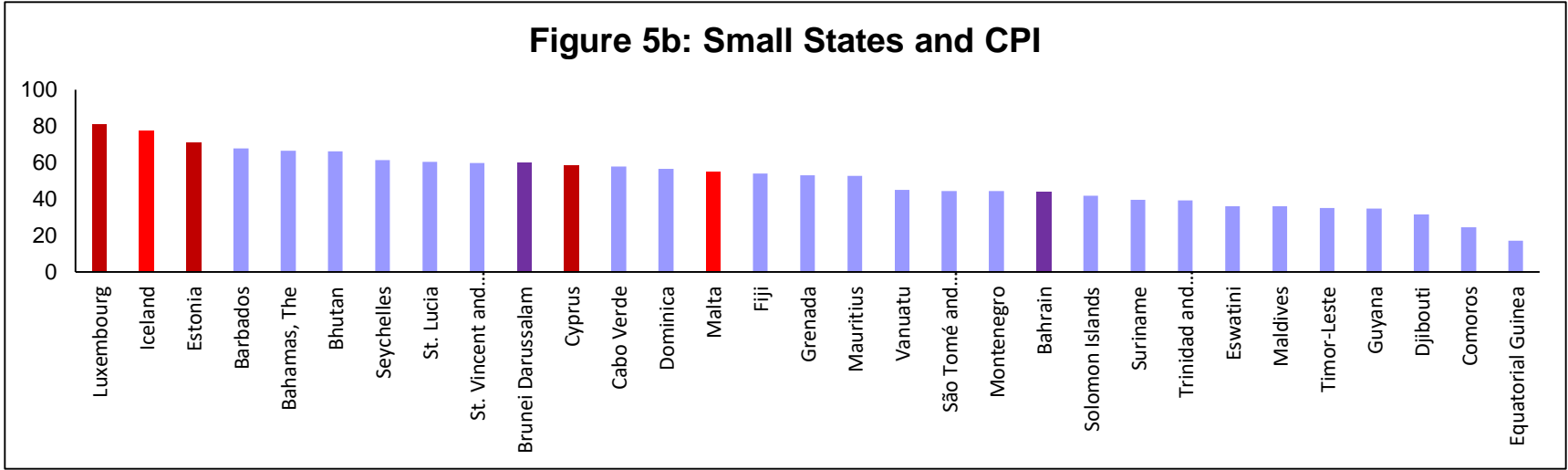


5. A focus on small states

A country-by-country focus on small states

It can be seen from Tables 5a, 5b and 5c, using scores averaged for the whole period 2012 to 2022, that the three indices diverge somewhat when the small states are considered individually and not as a group. The governance scores. The RLI and the FWI assign relatively high governance scores to three European small states (Luxembourg, Iceland and Estonia) however they differ in their score relating to Malta and Cyprus, with the CPI assigning lower scores to these two countries than the other two indicators. Another major divergence is that the FWI assigns very low scores to Bahrain and Brunei, two oil producing countries.





Changes in the scores of small states over time

In this section we will examine how the governance scores of the small states under consideration changed their governance performance. We shall again use the three databases.

The method used was to average the annual changes in the RLI and the FWI between 2013 and 2022. The results are shown in Figures 6a and 6b.*

Table 6a shows that 22 out of 42 small states registered negative changes . Table 6b shows that 23 out of 42 small states registered negative changes. It should be noted that some countries registering high growth rates started from relatively low levels (e.g. Fiji) while others with relatively large declines started from relatively high levels(e.g. Malta).

* Only the RLI and the FWI were used, because as the CPI excluded data for 11 small states

Changes in the scores of small states over time

Figure 6a:
Small states: RLI score changes between 2012 and 2022

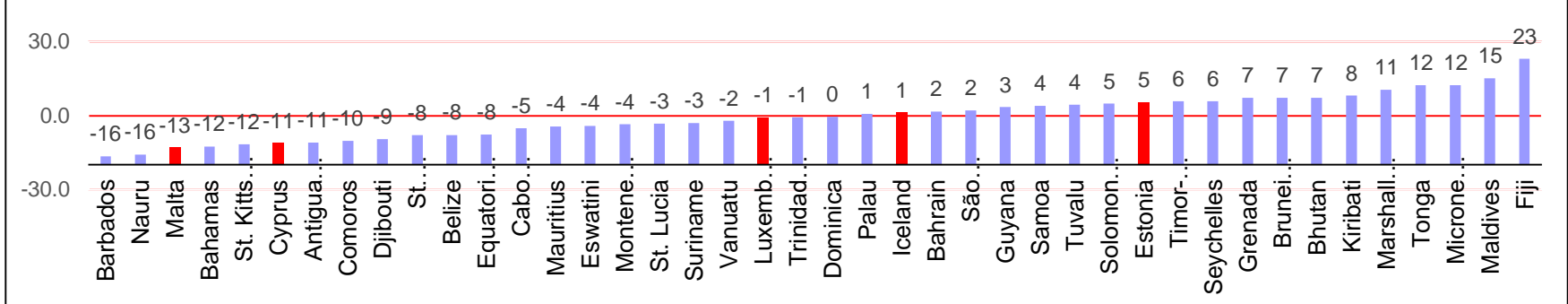
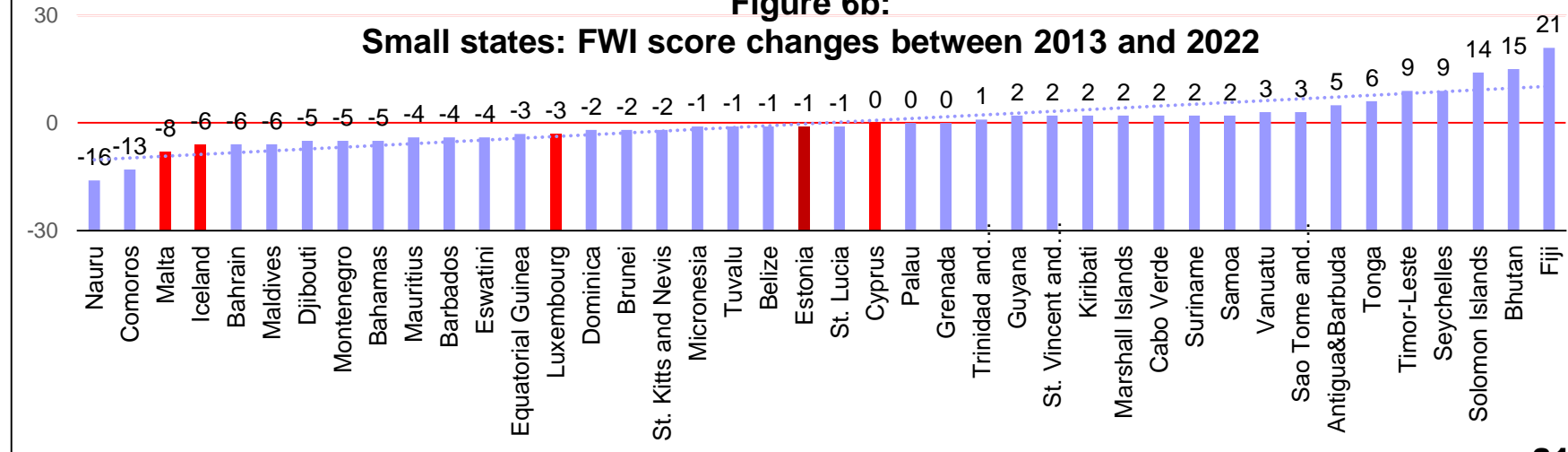


Figure 6b:
Small states: FWI score changes between 2013 and 2022



Changes in the scores of small states over time

It can be seen that Figures 6a and 6b differ in most cases. The most notable differences in changes were the following:

<u>Country</u>	<u>FWI</u>	<u>RLI</u>
Maldives	- 6	+15
Antigua and Barbuda	5	-11
Micronesia	- 1	+12
Barbados	- 4	-16
Cyprus	0	-11
St. Vincent and the Grenadines	+ 2	- 8
St. Kitts and Nevis	- 2	-12
Solomon Islands	+14	+ 5
Marshall Islands	+ 2	+11
Brunei	- 2	+ 7

Note: number refer to changes in the scores over time

As can be seen from the table above, in some case, the signs of the changes were reversed, when comparing the FWI with the RLI.

6. Concluding remarks

Similarities in broad categories but not at country level

This presentation has shown that the three, possibly most well known, governance indicators, namely the RLI, the CPI and the FWI are positively correlated. With the highest coefficient being that between RLI and CPI. This is to be expected as the FWI place more emphasis on civil liberties than the other two indicators.

The three indicators produce similar trends across countries, in terms of broad country groupings with regard to size and income-per-capita categories, but when a country by country scores were examined, some notable differences between the three indices were identified.

When it came to finding changes in governance score for small countries, the differences between the indices were more marked, with some countries registering positive changes in one index and not so in another.

Are the three indices therefore useless?

Governance indicators are useful for various reasons, including that they produce quantitative evidence which can be used to help countries track their quality of governance. The indicators are also useful for international investors and ODA donors in assessing their options. Such indicators are also of interest to academics, and a large number of publications have been produced on this subject.

However, as explained above, they have weaknesses, and may lead to placing too much faith in numbers and treating governance indicators as fully reliable measures, reinforcing normative assumptions and assuming causation where there is only correlation (Williams, 2011). In addition, given that the three indices have a different focus, and rely on different sources of information, they are likely to produce different results, as shown in this presentation. This, of course, implies that studies based on these indices should be interpreted with caution, with attention being given to their “ideological” underpinnings (Giannone, 2010).

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