



United Nations Development Programme

Oslo Governance Centre

Date: 16-Jul-03

Status Note

On Development of UNDP Governance Indicators

Georges Nzongola-Ntalaja

Inger Ultvedt

R. Sudarshan

Joachim Nahem

Certainly one thing that does need to be done is to continue with the work on these new indices to increasingly improve their objectivity and transparency, and in our view, to focus very clearly on developing countries' needs. We need to supplement them by additional data - - such as public opinion polls from countries on how citizens view government effectiveness and corruption. We need to really try and come up with a model of democracy that is not measured by our standards but by a standard of user-friendliness in the developing country itself.¹

1. Introduction

This revised note reflects the comments made by task force colleagues² in response to the Governance Indicator Note sent out May 21-03. The note attempts to elaborate IDG's position on how the governance indicator project should be developed, specifically how an **'internal' approach** to governance indicators will best serve UNDP goal of fostering democratic governance through partnerships, capacity building, local ownership and empowerment of marginalized groups. The indicator project is viewed as a demand driven tool, which countries can develop and apply in partnership with UNDP/COs, rather than a cross-country ranking tool which might be used to impose conditionality.

This note will establish the guidelines and parameters for a Governance Indicators **project document** which would include: a statement of purpose, expected outcomes, concrete time frames, management structure, and budget. The task force is to take the lead in developing and organizing this project. A key activity to be included in the project document is for **the Indicator Task Force to meet in New York in early August** to organise a workshop which would bring together UNDP colleagues with key external actors.

Attachments: -Mapping of Governance Indicators

¹ Deepening Democracy in the Developing World: An Agenda for Action in the New Millennium Message by Mark Malloch Brown, UNDP Administrator, Centre for Global Development, Washington, D.C. 21 October 2002

² As of July 8, 2003 the task force members are: Gita Welch, Rajesh Choudree, Jonas Rabinovitch, Pratibha Mehta, Magdy Martinez-Soliman, Inger Ultvedt, Sudarshan, Joachim Nahem

Background

2. General Findings of Mapping Exercise

- Most of the governance indicators do not have **pro-poor or gender perspectives**
- The intended beneficiaries of the indicators vary greatly: for example, business investors (Opacity Index), civil society (CIVICUS), donor agencies (DAC), cities (TUGI), international institutions (EBRD), and general public (Gallup).
- Several international institutions and civil society actors are in the process of developing new governance indicators: for ex. DFID, World Bank, CIDA, SIDA and CIVICUS
- Indicator systems use different scientific methods to measure the indicators, ex. perception based surveys, expert assessments, quantitative/qualitative data, or a combination.
- Several indicators incorporate other governance indicator systems into their own system, for example, Kaufmann et al. use 17 external sources
- Most indicator systems have global coverage although some are regional or country-type specific, like Latinobarometro and EBRD's Transition reports
- Some indicators are more relevant to UNDP than others, for example, Kaufmann is more related to UNDP activity than PriceWaterHouseCooper
- The **internal mapping** shows that UNDP does have prior experience in developing governance indicators and perhaps some lessons to be learnt: i.e. HDI 1992 and political freedom index and the World Governance Survey project (UNU)
- The HDR 2002 does not use governance indicators, but sets out guiding principles on linking development to governance
- Arab HDR 2002 uses Kaufmann indicators for the region

3. Keywords for Brainstorming

- Pragmatic
- Programmatic
- Stakeholders approval
- Ownership
- Beneficiaries
- Capacity development
- Conditionality
- Cross-country applicability

- Lessons learnt-Best practices
- Resource limitation/duplication
- Partnerships
- Indicator toolkit
- Internal tool v. External tool
- Process indicators v. Performance indicators
- Cost-Benefit analysis

Methodology Keywords

- Aspects of governance assessed
- Specificity
- Demonstrated Links to Poverty/Development Outcomes
- Data coverage: -across countries -over time
- Method of data generation
- Transparency and replicability
- Data quality and accuracy
 - aggregations
 - number of expert/investor opinions solicited
 - correspondence with related measures
 - financial incentives for accuracy
 - use of data in published studies

4. UNDP Strengths and Entry Points

- **Added Value:** as the mapping shows, there is a vast amount of governance indicators, which measure single or multiple elements of governance. The challenge for UNDP is to add value to these indicators rather than duplicating resources. Thus, the focus should be on how UNDP can use its comparative advantage when it comes to indicators. The feedback to the first OGC note on indicators highlighted **capacity development, ownership** and **beneficiaries** as a framework for developing the indicators.
- Another task for UNDP will be to identify various types or sectors of governance for which we want to create indicators. In the mapping the indicators are broken down along service lines as these are defined UNDP specialist areas within governance.

- A general framework for UNDP would be to create governance indicators from a **pro-poor** and **gender sensitive** perspective. The mapping exercise shows that governance indicators, in general, lack a pro-poor and gender sensitive focus. In the sub-practice of access to justice, for example, the indicators should capture how marginalized groups (like the extreme poor and women in general) are treated in the judicial process both at the national and local levels. The challenge would be to devise indicators, which reflect marginalized people's experience with governance.
- **Beneficiaries**: the task force should ask who the intended recipients of the indicators are. Are the indicators for developing countries (measurements that will help them undertake certain reforms)? UNDP (programming tool)? Donor countries (to help determine the effectiveness of aid)? Or are they for the general public such as civil society, states, multilateral agencies etc.? By answering these questions, the task force will be able to identify the entry points and possible comparative advantages for UNDP.
- **Partnerships**: the task force should discuss the usefulness of potential UNDP partnerships for developing the indicators. Regional focus, resource sharing, comparative advantage and financial/budgetary costs are issues that need to be addressed when identifying or evaluating potential partner organizations/institutions

5. External v. Internal Tool

External Tool: On the one hand, the objective can be to produce a set of authoritative indicators, which will reflect UNDP's comparative advantage (or brand recognition in corporate terms) in the field of development and governance. Similar to the HDI, the indicators will need to produce a measurement, which allows for cross-country comparison. Based upon objective data in the field of human rights, access to justice, transparency, corruption, etc. the indicators can provide an independent and across the board instrument that can rank countries along the various indicators. The purpose of this approach would be to create more external advocacy and visibility like the HDI. This would be an external tool for other development actors as well as the UNDP to view comparatively how well or poorly a given country is doing in the field of governance. This method was used in the Arab HDR 2002 where the regional countries were ranked along 6 dimensions of governance (see appendix). **Pros**: universal and objective standard for measuring governance, visible advocacy tool that can be used by external actors as well. **Cons**: does not take into account different institutional arrangements and country context, difficult instrument to apply on country level, especially if it lacks stakeholders' approval. This approach is also fraught with political risks of the kind encountered by the HDR 1991 political freedom index.

Internal Tool: On the other hand, the objective for coming up with indicators can be to create indicators, which reflect the particularities of developing countries and their needs. For this to be realized, UNDP governance indicators should be seen as a pragmatic tool that can be used to determine where reform is needed or where progress has been made. This implies that national stakeholders agree on how to measure and how to use the indicators. In this approach, indicators should be viewed as an internal tool used in the context of CCAs, CCFs and UNDAF. The indicators would work more as customized benchmarks (or weighted indicators), which reflect the different needs and circumstances in a given country rather than a universal measuring standard. The instrument would be used internally to enhance UNDP governance focus on pro-poor and gender sensitive policies. **Pros:** more likely to receive stakeholders' approval, easier to implement and adapt to each country (or region), can pinpoint where reform is needed. **Cons:** difficult to do cross-country comparisons, can be hard to get all stakeholders to agree on indicators, hard to determine 'minimum' standards of democratic governance.

Internal Approach to Governance Indicators

6. UNDP Purpose of Governance Indicators

- **Purpose:** The note has showed that indicators can be used as: (1) an assessment tool for developing countries, (2) an internal UNDP programming tool, (3) a donor assessment tool for aid effectiveness or (4) a tool for the generic public. We believe that UNDP should develop indicators for the two first reasons, namely an assessment tool for (and to be used by) developing countries and UNDP programming. The indicator project should be viewed in light of UNDP's role as a trusted development partner, which helps developing countries meet challenges through dialogue and stakeholder consensus. Therefore, the indicators should not be used as an assessment/conditionality tool for donors or as an advocacy tool for the general public (not withstanding civil society participation). The democratic governance indicators should be used as a tool for UNDP and developing countries to create institutions and processes that are more responsive to the needs of ordinary citizens, including the poor. Consequently, the indicators should be demand driven through CO's partnership with host governments, civil society and ordinary citizens. From a UNDP perspective, the governance indicators are only helpful if there is a stakeholder consensus and willingness to use them. The indicators can be used in the UNDAFs, CCAs, CCFs, RBAs and other national planning and development co-operation documents. This approach would be in line with the principles of enhancing local ownership and fostering national stakeholder consensus. Moreover, the

indicators should be used as a tool to establish a baseline and monitoring of existing capacities in key democratic government institutions and processes. In many developing countries there is simply a lack of capacity to collect data, which is invaluable to improving democratic governance.

- ***Value added:*** When discussing governance indicators the following questions should be addressed: What is the value added? Who is the intended audience? And who are the beneficiaries? The mapping showed that there was a conspicuous lack of pro-poor and gender sensitive indicators. The majority of indicator systems were business oriented interpretations of governance. Another general finding of the mapping was that most indicator systems use large aggregate data to rank countries on various areas of governance. Consequently, the challenge and value added for UNDP is to: (a) introduce and emphasise poverty and gender perspectives into governance indicators and (b) assist countries produce disaggregate data, which can help stakeholders to identify where policy change is needed, especially with regards to marginalized groups.
- ***Capacity Development:*** Assisting countries collect and produce disaggregate data on gender and governance, for example, will not only be a strong value added, but be consistent with UNDP's overriding priority on national capacity development. UNDP has a demonstrated strength in helping countries build their governance capacity. Governance indicators should be seen as a tool to enhance such capacity building. The indicators will provide stakeholders with invaluable information on how people in developing countries, in particular marginalized groups, are able or unable to gain access to information, justice and other aspects of governance.
- ***Non-ranking instrument:*** At the present time there does not appear to be any value added by developing indicators for cross-country ranking. The purpose of UNDP indicators is not to compare who is "good" or "bad", but rather to help each country develop their capacity for democratic governance. There are several indicator systems, which come up with an aggregate number for how well a country is 'governed' (like the Kaufmann and Freedom House indicators). The purpose of UNDP, however, should not be to develop yet another aggregate cross-country measurement for democratic governance, but rather to identify shortcomings or progress of governance in each country and use this data through programming to facilitate changes in national policy.
- ***Beneficiaries:*** An important point as to why the internal approach is favoured is the issue of beneficiaries. The primary beneficiaries of UNDP policy are developing countries, thus their needs and demands must be given paramount interest (government and other stakeholders alike). Given the political contentious nature of indicators it would not make sense to create

external cross-country comparison indicators as this is not desired by developing countries themselves. Furthermore there is no clear evidence that governance ranking tools have had a positive impact on policy change in developing countries. There is a greater likelihood that change will come through cooperation, which to begin with is the cornerstone of UNDP programming. In the same way that business groups respond to their clients' demands and needs for indicators, UNDP must create its own set of indicators, which responds to the needs of developing countries, including the marginalized.

- **Partnerships:** It has been demonstrated that it would be fruitful to engage in various partnerships to create the governance indicators. Such partnerships could avoid resource duplication, lower transactions costs and position UNDP at the centre of the dialogue and activity in governance indicators. The guiding principles for such partnerships must be that the partner organization has a complimentary perspective and shared objectives for the development of indicators. There should also be an emphasis on strong Southern representation and balanced regional distribution. In particular, IDG has discussed and envisions further collaboration with International IDEA and the Centre for the Study of Developing Societies (New Delhi). We have also had contact and resource sharing on indicators with the following organizations on:

DFID, CIVICUS, SIDA, CIDA, Norad, DAC GOVNET, Carter Center, Canadian Parliamentary Centre, and Judicial Studies Center of the Americas.

7. Toolkit Proposal

The task force proposes to develop an indicator toolkit/menu to be used by UNDP COs and regional bureaux. These indicators will be a pragmatic instrument, which can be implemented at the country level or local level. Although there will have to be certain uniform standards and methods for the toolkit, the indicators should be tailored to meet the particular needs and circumstances of the developing region, country or local environment. The idea is that the indicators are weighted to account for different institutional/structural arrangements and needs. It is envisioned that the CO and national/local stakeholders can together to choose an indicator option. The purpose of the indicators will be to identify specific governance shortcomings and where reform is needed. The scope and size of the indicator tool kit will depend on demand and resources, but the content should focus on pro-poor and gender sensitive measurements. We suggest the indicator toolkit to be tested in some pilot countries, using the following criteria/questions³:

- Prior experience with governance indicators

- Use of Democratic Trust Fund
- Regional balance (preferably one country from each region)
- Availability of governance statistics

General Toolkit Guidelines

The aforementioned toolkit and pilot country criteria should be brought forward using the following general objectives/principles:

- Need to create high quality and accurate indicators
- Need national stakeholder cooperation
- Need high transparency throughout the process
- Need to focus on pro-poor and gender indicators

9. Roadmap

July:

- Preparation of project document
- Further exploration of potential internal and external partners, including COs
- Resource sharing w/ task force and other actors

August:

- Task Force Meeting in New York (date not yet confirmed)
- Develop project document
- Prepare for Planning Meeting and Workshop

September/October:

- Planning meeting in Oslo (UNDP and external)
- Commission research projects
- Contact and visit to research partners

³ The Task Force has had some contact with COs in Togo and Benin regarding governance indicator projects in these countries. The announcement of the IDG indicator pilot scheme may elicit further interest from COs, so that the project is demand driven from country level.