

External Review of the Worldwide Governance Indicators: Review Panel recommendations and management responses

November 5, 2024

In early 2023 the World Bank commissioned an [external review of the Worldwide Governance Indicators](#). The final review was delivered in September of 2024. This note summarizes how the World Bank has responded to the recommendations of the external review panel. The recommendations are reproduced here (in **bold**), together with a description of steps taken by the World Bank to address them. Where relevant, hyperlinks to materials in the 2024 WGI update are provided.

1. The WGI would officially be considered a Bank product and go through a similar process of replication and review as other official Bank products.

The WGI are a World Bank product in the sense that they are a product of World Bank staff, they are published on a World Bank standard website, and all the methodology papers have been published in the World Bank Policy Research Working Paper Series. This also applies to the 2024 WGI update, which is a product of Bank staff, is published on a Bank-standard website, and the [updated methodology paper](#) is published in the Policy Research Working Paper Series. The WGI also are fully replicable, with independently verified reproducibility packages published alongside the annual updates.¹ The reproducibility package for the 2024 WGI update has also been independently verified and published in the World Bank's [Reproducible Research Repository](#).

The WGI methodology has been through the standard DEC research review process (which relies on independent external peer review in academic journals to ensure technical quality).² In addition, in the coming year the WGI will transition to a new institutional home in the DEC Global Indicators Group (DECIG), where they will continue being produced alongside other knowledge products of that group. Before the start of the 2025 data collection cycle, the WGI will undergo a Bank-Wide Review of the project's Concept Note (based on the updated methodology paper) and enter the system for Advisory Services and Analytics (ASA). This process will provide a forum for further technical discussion and potential future directions for the WGI.

2. The Bank would institute a systematic process of considering newer data sets for inclusion in the WGI, especially from the global South

The WGI team actively tracks the global landscape of major cross-country data sources suitable for inclusion in the WGI and includes them as they become available. Over the lifetime of the WGI, the number of data sources has increased from 14 to 34. In the 2024 update, a valuable new data source, the World Bank Enterprise Surveys, has been included in the WGI, with the majority of surveyed firms in the Global South. This dataset will become increasingly prominent in the WGI as

¹ See [here](#) and [here](#) for the reproducibility packages associated with the 2022 and 2023 updates.

² See [Kaufmann and Kraay \(2002\)](#), [Kaufmann, Kraay and Mastruzzi \(2004\)](#), [Kaufmann, Kraay and Mastruzzi \(2007\)](#), and [Kaufmann, Kraay and Mastruzzi \(2011\)](#)

its rotating three-year country coverage ramps up to about 180 countries. For the past year, the [home page of the WGI](#) has solicited suggestions from all users for potential new data sources to include in the WGI. This open solicitation of new data sources will remain on the WGI website for the 2024 WGI update.

3. The Bank would take responsibility to document the underlying sources including the funders, methodology, and primary use-cases for which the underlying data sets are compiled

The WGI website publishes summary information on the WGI data sources, as well as all of the component data from each source, in a series of Excel files [posted on the WGI website](#). This practice continues with the 2024 WGI update, and the documentation in these files has been reviewed and updated where necessary. In addition, the [updated WGI methodology paper](#) contains a new detailed annotated annex providing more information on each data source, including direct links to the methodology documentation on the websites of the organizations producing the data (see Annex 1). Where applicable (i.e., for sources in the NGO sector), information on funding sources is provided on the websites of the organizations producing these data sources.

4. The Bank would ensure that the WGI are presented with the necessary “health warnings” clearly spelling out the limitations of the data and the methodology, including potential biases

The WGI homepage now includes a “[usage advisory](#)” that addresses the concerns listed above. Additionally, the WGI website contains an [extensive FAQ](#) that address many of the caveats that apply to the WGI. The FAQs have been reviewed and substantially expanded for the 2024 WGI update. Users of the WGI are also cautioned that individual and aggregate indicators of governance are imprecise, and that users should take into account margins of error associated with every country-year data point on the six aggregate WGI measures, that are prominently displayed in all representations of the data in the WGI website.

5. While the Bank cannot take responsibility for the downstream uses of the data, it would make an effort to document uses with real world consequences for countries including by credit rating agencies. To the extent that such an examination reveals that the indicators are being used in ways that the WGI is not designed for, the Bank would document why such a use may be inappropriate and advise the users of the same. For instance, some rating agencies use WGI ranks in their ratings. However, the rank may be less relevant for assessing creditworthiness relative to absolute measures of governance. Again, the Bank would not take responsibility for inappropriate downstream uses but would be responsible for providing better “health warnings” on what WGI is appropriate for and where it is less useful. We also recommend instituting a standing advisory panel on governance that considers complaints regarding the WGI and other governance measures used by the Bank.

The WGI team has the responsibility to continue to clearly document the methodology, strengths, and weaknesses of the WGI data on the WGI website. These concerns have been addressed through a combination of the enhanced FAQs and Usage Advisory. The suggestions of the review panel have been helpful for ensuring that this information is complete and up to date. The WGI

team will also continue to respond to all inquiries about the WGI. Finally, the DEC Global Indicators Group, in coordination with the WBG Chief Economist and other relevant stakeholders in the Bank will convene an advisory panel on governance measurement, that can provide technical guidance on potential innovations in the WGI as well as on the broader governance measurement agenda.

6. In the medium term (~1 year) the Bank should update the WGI methodological paper to address the following issues (and others that may arise): (a) the sensitivity of the overall WGI to each of its underlying data sources, (b) examine the sensitivity and robustness to alternative methods of weighting, (c) consider the possibility/value of including additional datasets on governance whose coverage is not global and comes from developing country perspective.

The 2024 WGI update includes an [updated methodology paper](#) that describes the WGI methodology, provides additional documentation, and updates earlier analysis of key issues including the sensitivity of the WGI to its data sources and the robustness to alternative weighting methods.

To facilitate users investigating alternative weighting schemes and the sensitivity of the WGI to its underlying data sources, three new resources have been provided in the 2024 WGI update: (1) an [Excel file](#) that allows users to reproduce the basic WGI calculations in Excel, taking the WGI parameter estimates as given, and (2) an [integrated dataset aligning the WGI aggregate indicators with their component data](#), providing easy access to a consolidated dataset for investigating alternative weights, and (3) a [dataset containing the average across countries of the weights assigned to each data source](#), for the six aggregate WGI indicators and all years in the WGI dataset. While these materials do not contain substantively new information relative to previous years' WGI updates, they make the information more readily available in more convenient format for users. All three resources are directly linked on the WGI website.

Finally, the WGI includes data sources with less than global country coverage, with such data sources comprising 22 of the 35 data sources in the WGI. The WGI team seeks additional data sources to incorporate into the WGI. The current WGI update includes one new data source, the World Bank Enterprise Surveys, which predominantly reflect the views of firms in developing countries, and currently has less than global coverage. See also item 2 above.