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CONCEPT FOR A NEW INDEX OF REFORM CAPACITY

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Introduction

To assess and compare the reform capacity of modern democracies in industrialized countries, three different conceptual approaches may be followed. A first approach identifies a catalogue of defined reforms and examines whether the states under consideration have implemented these reforms. The more a state has implemented the catalogue within a given period, the higher its capacity to reform itself. Examples of such relatively clear-cut reform programmes and reform capacity studies are the ‘Washington consensus’ of the IMF and World Bank, the New Public Management or, in the case of Germany’s domestic debate, the ‘reform barometer’ developed by a liberal pro-market think tank (INSW 2002; Pollitt and Bouckaert 2000; Williamson 1994).

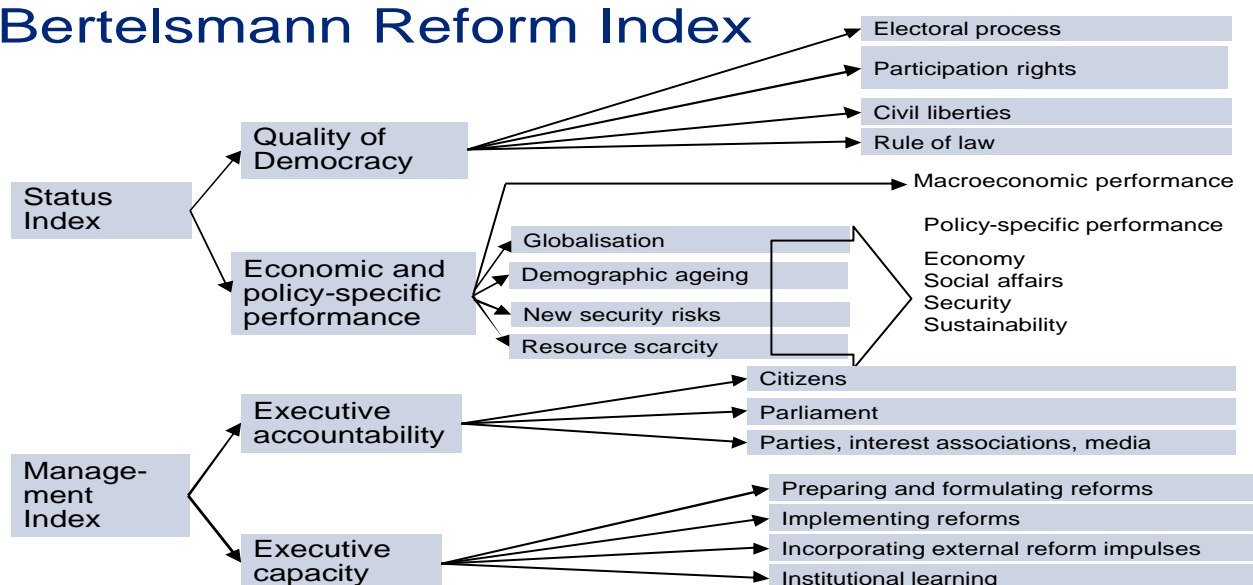
A second approach raises doubts as to whether the implementation of catalogues of determinate reforms allows any inferences regarding reform capacity as a structural potential. In this view, reform capacity consists in the ability to dynamically adapt to new challenges arising in an organization’s environment. Thus, reform capacity may not be operationalized as the implementation of predefined reform measures. Which policies or institutions denote a higher reform capacity, may be determined only indirectly, by comparing policy outputs or outcomes over a certain period (Roller 2006; Social and Cultural Planning Office 2004; Wiesenthal 2005). The more performance has improved in comparison with the beginning of the period, the higher the reform capacity. Its agnosticism with respect to institutional varieties of democracy and capitalism has rendered this approach attractive, for example, in the Lisbon process of the European Union which has entailed the selection of indicators informing, inter alia, about the social policy performance of EU member states (Atkinson, Marlier, and Nolan 2004, 51).

This paper links this approach with a third analytical-conceptual approach that conceptualizes reform capacity as a function of the political process management by and within executives. Driven by increasing concerns with ‘good governance’ and ‘performance management’, international agencies like the OECD and the World Bank have devoted more attention to executive management (Evans and Manning 2003; James and Ben-Gera 2004; Manning 2005). The higher the strategic capacity of a government, the better are, according to this approach, the chances to implement reforms irrespective of which substantive policies are realized. In comparison with an assessment of reform capacity based on policy outcomes, this comparative approach provides more information on procedures and organizational arrangements within executives. A focus on governmental management processes and functions also avoids classifications and comparisons of institutions which are frequently biased in favour of certain models of democracy (e.g. consensual, majoritarian etc.) or government (presidential, parliamentary).

By combining an outcome with a process approach and a performance with a management comparison, the concept proposed here intends to generate new insights on the contribution governing elites can make to policy success. The present paper develops concepts and criteria to assess and compare the policy performance and the management capacity of governments (see the figure below). The criteria are operationalized in tangible questions and indicators that can guide in-depth analyses by country experts and the utilization of existing data sources. All questions and indicators are provided in the annex of this paper. The purpose of our study is to compile information that shall be aggregated into a composite index denoting the reform capacity of states. Along the lines of the two-track approach outlined here, we distinguish two subindices, one focusing on the sustainability of democracy and market economy (“Status Index”), the other focusing on the governmental management activities (“Management Index”).

The project has been initiated by the Bertelsmann Foundation in March 2006. Together with the Centre for Applied Policy Research, the Foundation intends to collect the necessary data, conduct an expert poll in all OECD member states and cooperate with the OECD project “Management in Government”. The first index shall be published in early 2008, and new editions are to be prepared every two years.

Dimensions and criteria of the Bertelsmann Reform Index



I. Conceptualizing policy performance

The composition of the Status Index is guided by a broad notion of *sustainability*, conceived here as the ability of a state not only to maintain a democracy based on the rule of law, but also to generate a good economic and policy-specific performance in view of the challenges posed by the future. The Status Index is constructed from two dimensions: the quality of democracy and the economic as well as policy-specific performance of a state.

“*Quality of democracy*” refers to the core elements and necessary requirements of democracy as a regime of legitimizing and exercising political rule. This first dimension is structured according to the core elements of constitutional democracy as it has been developed by Wolfgang Merkel, Hans-Jürgen Puhle and their collaborators referring to the democracy concept by Robert Dahl (Merkel 2004). This concept of a democracy based on the rule of law goes beyond a narrow notion of democracy as composed of competitive elections and political participation rights. Rather, democracy is conceived as a compound of four “partial regimes”: electoral process, rights of political participation, civil liberties and the rule of law. As far as the existence and institutional design of these partial regimes is concerned, OECD member states resemble each other, notwithstanding the well-known differences in the organisation of

the state (monarchy – republic, unitary – federal) and in the governmental system (presidential – parliamentary, consensual – majoritarian).

In contrast to the concept developed by Merkel et al., the exercise of the effective power to govern is not treated as a distinct partial regime. One reason for this is that the BRI is supposed to measure the status of democracy in countries which are already democracies. Other aspects of democratic quality, such as political culture, voter turnout, interest representation, inter-institutional cooperation or the policy-specific performance are not included in this dimension.

The policy-specific performance is assessed in the dimension “policy performance”. Electoral turnout can hardly be taken as an indicator for the quality of democracy. A high percentage of abstentions can just as well denote an utter satisfaction with the political system, while a high turnout can possibly indicate undemocratically mobilisation. Devoid of additional information, an increasing or decreasing voter turnout does not correspond to increasing or decreasing consent (Schmitter 2004, 57). The functional and territorial representation of interests, the regime support among citizens and inter-institutional conflict or cooperation can be seen as components of the consolidation of democracy. Since the BRI is confined to consolidated democracies (with the exception of Mexico), these components are examined as attributes of the “Management Index”. This allows to ask more specifically if and how far the citizens, political parties, associations and institutions involved in executive governance contribute to improving the government’s problem-solving capacity.

In our understanding, differences of quality can be noticed also in the case of core components of democracy and in the case of democracies which are said to be consolidated (Beetham 2004; Diamond and Morlino 2004). While the four partial regimes of constitutional democracy – democratic elections, political participation, civil liberties and rule of law – are given in OECD countries, we believe that these partial regimes differ significantly in quality from one country to another. If the quality of a democracy is considered as an important part of a sustainable society, then it makes sense to compare and evaluate these differences. Such differences concern for instance the judicial review and the freedom of media in Italy, the protection against discrimination due to ethnic reasons in Germany and France or the cutback of civil rights in the United States of America due to the Patriot Act.

The second dimension of sustainability seeks to capture the *economic and policy-specific performance* of democracies. This is done by measuring basic macroeconomic parameters (GDP, potential GDP growth, Gini coefficient, unemployment rate and trade in goods and services) on the one hand, performance indicators in four policy sectors on the other hand. These policy sectors comprise (1) economic policy: labour market, enterprises, taxation, public finance and monetary policy; (2) social policy: health care, social cohesion, family and pensions; (3) security policy: security, development and integration; (4) sustainability policy: environment, research and innovation, education. These areas have been selected because they can be considered as most relevant for addressing social, economic and political challenges the OECD member states are confronted with.

For each policy area, we have selected several quantitative and qualitative indicators that are easily available for all OECD member states, simple and widely accepted regarding their significance, meaning and desirable value. In the area of labour market policy for example, we aggregate the following indicators: employment/population ratio, long-term unemployment rate, unemployment rate of young persons, unemployment rate of low-skilled persons, employment/population ratio of elder workers. These indicators allow to assess the effectiveness of labour market policy and the flexibility of labour markets. They are broadly accepted and are used, inter alia, by the EU member states as indicators in the Lisbon process of cooperation in social and economic policy.

Another example is enterprise policy, where we use two composite indicators of business competitiveness and indicators that provide information on the unit labour costs, the gross fixed capital formation, the density of regulation, the foreign investment flows and the cooperativeness of trade unions. These indicators shall describe and assess the business environment in OECD member states.

We have tried to avoid using indicators that are model-specific in the sense of being biased in favor of particular models of capitalism. The scholarly debate about varieties of capitalism shows that there is no consensus about which institutional model is the most sustainable and that distinct models still persist in spite of all tendencies of convergence (Howell 2003; Kitschelt et al. 1999). Adopting such a distinction between two or three institutional models would not provide an appropriate basis for an evaluation, because this would conceptually “freeze” certain features and ignore the dynamics of change especially in continental European models. This is why we consider features of the institutional framework as additional information rather than including them into the aggregation of the index. The performance profiles resulting from the performance assessments are not only interesting as such, but they shall also serve as control variables for the evaluation of reform capacity. We assume that positive (negative) scores for policy performance correspond to positive (negative) scores for management.

II. Conceptualizing management performance

The Management Index conceives reform capacity as a function of how executives govern. Following a conceptual distinction made by Knack, Kugler, and Manning (2003), we propose to study to what extent executives act strategically (*executive capacity*) and are held accountable by the public and within the wider political system (*executive accountability*). The underlying theoretical assumption is that the strategic capacity of executives is embedded in, and emerges from, a supportive organizational environment. Therefore we not only look at the resources and power of executives but also ask to what extent actors and institutions surrounding the executive can effectively control and improve executive governance. The concept of executive capacity reflects a conventional notion of “governing” that identifies concrete political actors charged with governing and assigns responsibility to them. The concept of executive accountability takes into consideration the importance non-governmental actors have acquired for policy making, as it is discussed under the label “governance” in the literature on comparative public policy and public administration (Pierre 2000). This conceptual approach shall in the following be defended against five possible critiques.

First, one may ask whether a focus on the governing activities of executives does not neglect the impact socioeconomic and international factors exert on reform processes. Our analytical focus seems, however, justified by the importance of executives for governing modern societies and by the fact that political reform and steering efforts by governments can be observed frequently, filling the pages of newspapers every day. Studies of globalization and Europeanization effects have found that national governments still possess considerable policy discretion and can select among alternative strategies (cf. e.g. Olsen 2003; cf. e.g. Ramel 2005).

It is, secondly, true that the success chances of such efforts should be assessed cautiously and reform activism also represents a wide-spread rhetorical device of governments. However, while experiences with implementation gaps and reform talk provide reason for scepticism with respect to the impact of governmental steering, they do not lend sufficient support for an

epistemological position that rejects the possibility of intentional top-down steering in modern societies (Luhmann 1990).

A third critique is inspired by this fundamental position and argues that reforms emerge as contingent outcomes of complex interactions that involve windows of opportunities, luck, coincidence, personal charisma or, in other words, a host of factors that may not be anticipated or planned in advance (Wiesenthal 2003). While we acknowledge this complexity and contingency, we believe that it is still possible to influence the conditions under which reforms emerge. We expect that the likelihood of successful reforms will increase, if the strategic capacity and public accountability of executives are improved. High strategic capacity and public accountability may not be sufficient conditions and may not even be indispensable for successful policy reforms. But we contend that they facilitate such reforms.

Fourthly, the existing institutional diversity of systems of governments and executive arrangements renders a comparison impossible as any categorization would tend to carry a bias in favor of certain institutional models, lack validity or ignore relevant institutional differences. We believe that these problems have to be taken seriously but do not pose insurmountable obstacles to a comparison. Our concept draws on a growing body of empirical comparisons of executive governance, mostly originating from the analytic work of international agencies, that use quantitative data and construct quantitative indicators (Evans and Manning 2003; Kaufmann, Kraay, and Mastruzzi 2005; Knack, Kugler, and Manning 2003; Nunberg 2000; PEFA 2005; Schnapp 2004).

Following the approach of these studies, we try to avoid questions and indicators that are sensitive to the well-known distinctions between federal or unitary states, presidential or parliamentary systems and majoritarian or consensus democracies (Lijphart 1999). Rather, we monitor executive governance at a level below these general categories, focusing on segments of policy formulation, policy implementation, legislation, incorporation of transnational reform pressures and institutional learning. Thus, the emphasis here is on processes rather than institutions or sets of institutions. This enables us to avoid the categorical differences associated with the traditional distinctions in comparative government.

Fifth, a critic may argue that reforming may be much easier for some governments as they can govern under much more conducive structural conditions and enabling actor constellations. Thus, to avoid equating categorically different constellations, contextual conditions should be factored in the assessment of the reform capacity of executives. These conditions include the number and powers of veto players, the economic and social distress of a country, the attitudes of its population or its dependence on a particular path of historical and institutional development. How do we deal with these contextual conditions?

While it is true that a greater number of veto players increase the stability of an adopted policy (Tsebelis 2002), veto players do not necessarily block changes to the status quo. Various authors have argued that veto players may also improve the quality of reforms by enriching the assessment of reform impacts and by inducing reformers to refine their policies to broaden their support base (Benz 2003; Rüb 2005). We try to take these ambiguities into consideration by rendering the blocking potential of veto players subject to empirical monitoring. This is done by investigating empirically whether veto players contribute to improve reform policies or just block reforms driven by their confrontational intentions. In addition, it is asked how a government anticipates the reactions of potential veto players and includes them in its strategy.

The reform pressure generated by economic and social problems is not used as a weighting factor for reform capacity for two reasons: we are uncertain as to whether such a pressure alleviates or aggravates reforms and we tend to assign the responsibility for coping with the presence or absence of reform pressure to national governments. The popular willingness to

accept reforms is taken into account by asking for citizens' attitudes as part of our concept of executive accountability. Finally, the path dependence of reform policies is reflected in the various criteria and items applied to evaluate executive governance.

We believe that our approach of conceiving and operationalizing executive governance promises to yield an additional benefit for comparative research on executives insofar as it will lead to a unique data basis enabling cross-national process-oriented diagnoses. The following two sections explain how we want to disaggregate the two dimensions of the Management Index, executive capacity and executive accountability, into items forming a questionnaire that is to guide the collection of data.

III. Executive capacity

Executive capacity is based on institutions and mechanisms that enable a government to lead strategically, that is to take and implement political decisions which take into account the externalities and interdependencies of policies, are based on scientific knowledge, promote common goods and represent a longterm orientation. The construction of this dimension draws on the stages of the policy cycle that offer, given our focus on executives, an analytically useful model. By taking the policy cycle as the analytical model, we abstract from concrete, specific sets of institutions that would be required for executive capacity. Nor do we imply that concrete reforms should or have to follow a prescribed sequence. We only assume that an executive can (and should) demonstrate strategic capacity in all stages of the process and that this will improve its chances for successful reform policies. We distinguish between the preparation and formulation of reforms, the implementation of reforms, the incorporation of external reform impulses and the learning of (or in) institutions.

1. Preparing and formulating reforms

1.1 During the preparation and formulation of reforms, executive capacity is characterized by future-oriented, knowledge-based longterm planning. The results of such strategic planning are communicated to decision makers, that is the cabinet and leading civil servants. Informed by such plans and in consultation with academic advisors, decision makers identify strategic priorities for the work of the government. This implies that time and work formats are devoted to such deliberations apart from the daily government business.

1.2 Executive capacity also means that work programmes of the executive are guided by strategic priorities. This requires the cabinet and the center of government to ensure that the concretization of priorities happens in coordination with the line ministries. Since strategic prioritization does not correspond to the portfolios of ministries, interministerial coordination is crucially important. The executive has to develop actions to realize its priorities during the policy formulation stage. Strategic planning needs to be complemented by more operative planning activities that provide policy actions with financial and personnel plans. Finally, strategic policy formulation includes assessing the economic and social effects of policies (Regulatory Impact Assessment) (Radaelli and De Francesco 2004; Zubek 2004).

1.3 We study the extent to which a government cooperates with non-governmental actors in economy and society and establishes a consensus on the direction of reforms. This item reflects the importance of broad societal coalitions for sustainable policy reforms (Evans 1992; Kornai, Haggard, and Kaufman 2001).

1.4 The quality of the government's public communication is assessed. This question examines the extent to which a government is able to establish its views of problems and its policy rationales as interpretation frames accepted in the public and society (Hall 1993).

2. Implementing reforms

Strategic capacity may be recognized in an executive's ability to translate its policy priorities into laws and to implement these laws and other measures effectively. The assessment here refers to legislation in particular, since laws in most cases constitute the most important instruments to implement reforms and since legislation, in comparison with other activities of executives, may be compared relatively simply across nations (Döring and Hallerberg 2004).

One may argue that for some systems, e.g. the presidential system of the United States of America, it would be impossible to determine the government as the initiator of bills due to their constitutional arrangement. Nevertheless scholars distinguish between the bill's agenda status, i.e. whether the bill is on or off the president's agenda, and the bill's support status, i.e. whether the president supports or opposes the passage of a bill (Covington, Wrighton and Kinney 2005; Congressional Quarterly 2001 ff.). Moreover, bills can be even coded as presidential initiative if the president introduced the original draft bill or a detailed set of proposals that formed the basis for congressional action (Edwards und Barret 2000; Barrett 2004).

Within the system of checks and balances the president certainly needs support from members of Congress to pass legislation, yet their ability to receive this support is hindered by many factors, such as an opposition majority in one or even both houses of Congress. The issue of divided or rather unified government is discussed controversially. Some scholars conclude that divided government does not hinder the legislative process and therefore does not contribute to gridlock (Mayhew 2005; Jones 1994, 1995). In contrast, other authors are not convinced that divided government is inconsequential (Conley 2000; Edwards, Barrett und Peake 1997). Considering the divergent findings of scholars, the president's legislative success not only depends on partisan support, but also on the legislative skill and potential judgement of the president: "So while partisan support in Congress can be crucial, it is not determinative." (Pfiffner 1988, 24)

2.1 Under the criterion "implementing reforms" we study, firstly, to what extent the executive produces laws that are financially, legally and substantively solid and viable. The quality of legislation is assessed by an in-depth evaluation of five major laws selected by country experts. In addition, business perceptions of regulatory quality are taken into account.

2.2 Secondly, we assess the extent to which the executive and its supportive parliamentary deputies dominate the legislative output (Martin and Vanberg 2005). Here we ask how many laws adopted by parliament originate from bills initiated or supported by the government. We also seek to assess the extent to which government bills are amended in the course of legislation.

2.3 Legislative success also depends on the government's ability to anticipate veto players in the legislative process (Evans and Manning 2003). This comprises the ability to mobilize the votes of those parliamentary deputies who are affiliated with the government and to ensure that they align themselves with the content of the government's policy proposal. Insofar as drafts require the support of a second chamber of the legislature, the government needs to ensure a majority in this chamber. In many OECD states, the constitutional court and the head of state constitute actors who rely on an effective veto power and whose possible concerns

need to be taken into consideration. In EU (and EFTA) member states, the EU Commission and the European Court of Justice have to be considered as further veto players.

2.4 Fourthly, we ask to what extent the executive is able to implement its laws and work programme effectively. This refers to whether implemented measures correspond to measures envisaged in the government's work programme and whether the programme's objectives are achieved. In addition, the effectiveness of implementation shall be assessed against external standards of good governmental and administrative practice. Therefore we ask whether the government establishes effective structures to implement policies: Are tasks delegated in a way that endows line ministries, executive agencies, regional and local government with effective powers and clear responsibilities? Is the government able to mobilize non-governmental actors for public purposes? How effective is the infrastructure of internal and external auditing?

3. Incorporating external reform impulses

Given the transnational integration of modern states, executive capacity increasingly depends on whether a government is able to solve its domestic problems by incorporating transnational ideas, policies or techniques and to actively participate in international institutions, shaping international policies. This comprises its agenda-setting capacity with respect to inter- and supranational organizations as well as its capacity to develop new modes of governance (Ramel 2005; Rüb 2005). The assumption underlying these items is that what matters is how governments harness the processes of globalization and Europeanization rather than the mere extent of international exposure or dependency as such (as it could be measured by, e.g., the share of foreign trade in GDP).

4. Institutional learning

Executive capacity finally depends on whether a government is capable to reflect the consequences of its policies and to reform its own organizational structures. The items belonging to this criterion study whether intra-executive institutions of self-monitoring fulfill these functions or whether they are, in view of their status and resources, likely to improve the strategic quality of executive governance in this way.

We study three intra-executive institutions: the cabinet (Blondel and Manning 2002); the ministerial administration; and the government office, which performs management and administrative functions for the core executive and takes different institutional shapes in individual countries (Prime Minister's Office, Secrétariat général du Gouvernement, Kancelarija prezesa rzady ministrów etc.) (Ben-Gera 2004; James and Ben-Gera 2004). We ask whether and how the cabinet functions as an institution to discuss policies substantively, leading civil servants represent professional and legal rationality criteria in decision-making and the government office evaluates the work of the executive.

IV. Executive accountability

Executives can not prepare and implement reforms unilaterally, but need to cooperate with other political actors. These actors represent and advocate societal interests, seeking to

influence governance in their interest. In a systemic perspective, their role is to provide the normative and cognitive preconditions of strategic governance, that is to act as counterparts of public deliberation and agents broadening the knowledge base of decision makers. Reform capacity emerges from the constructive, problem-solving interplay of these actors with the executive, not only during implementation but also during the preparation of policies.

The “executive accountability” dimension thus seeks to assess the extent to which political, societal and economic actors contribute to improving executive governance. This contribution should not be misunderstood as compliance or obedience. Rather, the contribution refers to the improvement of the knowledge basis, the normative deliberation and justification of government decisions. These objectives are better achieved by a well-founded substantive critique than by unreflected compliance. In democratic theory, these functions of conducting a public discourse about priorities, creating awareness about policy implications, monitoring and sanctioning executives are discussed in terms of accountability (Schedler 1999; Schmitter 2004).

In contrast, the executive capacity dimension has viewed extra-governmental actors from the perspective of the government. In this dimension, we have studied how the government communicates its efforts and concert them with other political, social and economic actors in order to ensure the success of its reform policy.

We assess three actors or groups of actors who perform control, information and communication functions for executive governance: citizens, parliament and the public including parties, interest associations and media as public actors (see annex).

1. For citizens, we ask whether they can influence the executive’s activities and whether they use their powers and rights in a constructive manner. Based upon existing survey data, we intend to explore the extent to which citizens are involved in the political process beyond the elections and whether their orientation facilitate a political culture of reform orientation.

2. The contribution of parliament to executive governance mainly consists in transmitting representative popular concerns and interests into governmental policy-making, challenging the normative justification of governmental policies and deepening their knowledge basis. Therefore, our questions here on the one hand aim at checking whether the parliament can control the government (and is not just an implementing agent of the governing majority). Exercising this control function depends on the informational and supervisory rights of parliaments, parliamentary bodies and deputies concerning legislation, the budget and appointments. On the other hand, our questions seek to assess the extent to which the composition of the parliament represents the composition of society and the parliamentary debate is characterized by problem-solving and common-interest orientations. The quality of parliamentary debate can be considered high, if deputies assign a priority to problem-solving vis-à-vis the weakening of political adversaries and if the pursuit of special interests is limited by an emphasis on common interests.

3. As intermediary organizations between government and society, parties, media and interest associations constitute the social infrastructure of society. By aggregating and articulating social interests, they exert a major influence on the outreach of the government into society. For all three types of actors, we ask to what extent they represent social interests and whether they assess or advise government actions in a professional, policy-oriented way.

Conclusion

This paper has outlined the conceptual ideas and choices underlying a new index of reform capacity that is currently being developed by the Bertelsmann Foundation in cooperation with the Centre for Applied Policy Research. Such an index must reflect the fact that there are not only numerous other composite indicators for the OECD countries, but also a large amount of quantitative data and contextual knowledge. This facilitates a more valid assessment but also increases the public expectations regarding the validity of any new index. To meet these expectations, we intend to apply a mix of data collection methods, integrating context-sensitive expert analyses with evidence-based assessments and centrally compiled quantitative indicators.

Most of our questions ask for detailed fact-based rather than holistic evaluative assessments. They will be further specified with standardized reply options. The questionnaires will be filled out by several experts and reviewers will comment on individual assessments. Quantitative indicators and opinion survey data will be used to cross-validate the expert assessments. These instruments shall help improving the reliability and validity of the data.

Since the individual numerical ratings and indicators are based on different scales, the scores have to be standardized prior to an aggregation. For reasons of simplicity and transparency, we intend to weight all component items equally, but we plan to check the appropriateness of this approach by conducting principal component analyses (Nardo et al. 2005). As one may argue that the assessment of the status of democracy can not be meaningfully aggregated with the performance of states, we will indicate the composite democracy assessments separate from the Status Index. We plan to aggregate the component items by adding them together, which implies the assumption that individual component items may compensate and substitute each other. This method of aggregation is, in our view, more plausible than a multiplication because the latter method would increase the influence of outliers and imply neutralizing interaction effects (in the case of a multiplication with an item scoring zero).

Even more sophisticated weighting and aggregation methods can not hide the fact that composite numerical indicators simplify a much more complex empirical reality by focusing on its quantifiable aspects and by aggregating its different components and interrelations into abstract numbers. These analytical tasks are inevitable parts of measurement and entail numerous methodological problems that need to be addressed by concepts and methods that ensure a maximum of objectivity, reliability and validity. But even if an indicator is considered to be sufficiently objective, reliable and valid, its utility will ultimately depend on the needs and perceptions of its (potential) users. Given the increase of governance and democracy indicators, this utility will increasingly be determined in comparison with other indicators that may provide more useful, alternative assessments of what the indicator is designed to measure.

To initiate a reflective debate about the utility of such indicators, it is important that projects to construct indicators set out their concepts and methodologies and demonstrate the specificity of their approach. This has been the aim of this paper. While we can not predict how our envisaged index will be accepted by the general and professional public, we hope that it will initiate public discourses on better governance and encourage governments to engage in peer review mechanisms and evidence-based policy making.

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Annex¹

Checklist “quality of democracy”

1. Electoral process: How fair and inclusive is the electoral process?

1.1 Fair electoral campaign: How fair are the procedures of registering candidates and parties and the access of candidates and parties to public media?

Mode of reimbursement concerning electoral expenses

To what extent do political parties gain access to public media?

1.2 Inclusive electoral process: To what extent do all adult citizens have the chance to participate in national elections?

2. Freedom of information: To what extent can citizens access to government and other information?

2.1 Freedom of media: To what extent are the public media independent from the government?

2.2 Media pluralism: To what extent are the public media characterized by an ownership structure that ensures a pluralism of opinions?

2.3 Access to government information: To what extent can citizens obtain public information?

Does a freedom of information act exist allowing access to government information?

Does the freedom of information act cite reasons for refusing access to information (e.g. exemptions, deadlines for responding requests etc.)?

Do mechanisms for appeal and oversight exist to enforce the citizens' right to access information (e.g. administrative review, court review, ombudsman, commission etc.)?

3. Civil rights and liberties: How effectively does the state protect basic individual rights and liberties?

3.1 Protection of civil rights: To what extent does the state respect and protect civil rights and liberties and how effectively are citizens protected by courts against violations of their rights?

3.2 Non-discrimination: How effectively does the state protect against discrimination due to gender, physical, ethnic, social, political or religious reasons?

3.3 Protection of cultural minorities and disadvantaged groups: How effectively does the state protect the rights of persons belonging to minorities or disadvantaged persons?

4. Rule of law (judicial accountability): To what extent do state institutions act in accordance with the law and are subject to effective accountability mechanisms?

The control of the executive by parliament is to be examined within the Management Index.

4.1 Legality of government action: To what extent do government and administration act in accordance with legal provisions and subject to effective judicial review?

4.2 Control of political corruption: To what extent are public officeholders prevented from abusing their position for private interests?

¹ Please note: The following checklists are work in progress, represent the state of September 2006 and will be subject to further changes.

Checklist “basic socioeconomic parameters”

1. REAL GROSS DOMESTIC PRODUCT PER CAPITA, PURCHASING POWER PARITIES
2. POTENTIAL GDP GROWTH
2. GINI COEFFICIENT
3. UNEMPLOYMENT RATE
4. TRADE IN GOODS AND SERVICES, CURRENT PRICES, AS A PERCENTAGE OF GDP

Checklist „policy performance“

1. LABOUR MARKET POLICY

- Employment/population ratio
- Long-term unemployed as a percentage of the labour force
- Unemployment rate of young persons
- Unemployment rate of low-skilled persons
- Employment/population ratio of elder workers

2. ENTERPRISE POLICY

- Competitiveness indicators
- Unit labour costs in the business sector
- Gross fixed capital formation as a percentage of GDP
- Procedures in numbers and time in days starting a business and dealing with licenses
- Density of regulation
- Banking regulation
- Foreign direct investment flows as a percentage of GDP
- Cooperativeness of trade unions (qualitative evaluation)

3. TAXATION AND FISCAL POLICY

- Extent of capital flight and tax evasion
- Taxes on the average production worker as a percentage of labour cost
- Taxes on income and profits as a percentage of GDP
- Complexity of tax system
- General government gross financial liabilities
- Government net borrowing/lending as a percentage of GDP
- General government net debt interest payments as a percentage of GDP
- Gross fixed capital formation
- Budget consolidation

4. MONETARY POLICY

- Inflation rate
- Long-term interest rates

M1 money supply/M3 money supply

5. HEALTH POLICY

Health policy performance (qualitative assessment)

Public/private health expenditure ratio

Total expenditure on pharmaceuticals as a percentage of health expenditure

Preventive and health programmes as a percentage of health expenditure

Life expectancy/total expenditure on health ratio

Infant mortality

6. SOCIAL COHESION

Poverty rate

Density of associational activity

Life satisfaction and feeling of happiness

7. FAMILY POLICY

Poverty rate for children

Female employment rate

Fertility rate

8. PENSION POLICY

Ratio of the inactive population aged 65 and over to the labour force aged 15 to 64

Poverty rates for people aged 65 plus

Implicit pension debt

9. SECURITY POLICY

Expenses for foreign security (qualitative evaluation)

Expenditure for military R&D as a percentage of GDP

Expenses for domestic security (qualitative evaluation)

Adaptation capacity with respect to new security risks (qualitative evaluation)

Registered crimes per capita

Unsolved crimes as a percentage of registered crimes

10. DEVELOPMENT POLICY

Development policy performance (qualitative assessment)

Official development assistance as a percentage of GDP

Debt relief as a percentage of official development assistance

Tariffs and duties for textile products

11. INTEGRATION POLICY

Integration policy performance (qualitative assessment)

Unemployment rate of foreigners

Employment/population ratio for foreigners

Persons with higher education and migrant background

Foreign born persons with tertiary attainment

12. ENVIRONMENTAL POLICY

Environmental policy performance (qualitative assessment)

Share of energy intensive production

Total emissions of major greenhouse gases

Renewable energies as a percentage of total energy consumption

Water consumption

Waste management

13. RESEARCH AND INNOVATION POLICY

Research and innovation policy performance (qualitative assessment)

Research and development expenditure as a percentage of GDP

Growth rate of public expenditure on R&D

Selected indicators on the basis of *Community Innovation Surveys*

Number of triadic patents

14. EDUCATION POLICY

Education policy performance (qualitative assessment)

Public expenditure on education as a percentage of GDP

Public expenditure on education as a percentage of total public expenditure

Persons with secondary education as a percentage of the population

Persons with tertiary education as a percentage of the population

Persons in training programmes as a percentage of the population

PISA results

Checklist „executive capacity“

1. PREPARING AND FORMULATING REFORMS

1.1 Strategic planning: To what extent is the work of the executive guided by strategic planning?

a) Relevance of strategic planning units for political decision-making

How frequently do ministers/ cabinet / prime minister/ president consult with strategic planning unit staff?

How much influence does the strategic planning unit have for decision making?

b) Longterm orientation of executive work

Does a medium-term fiscal framework exist?

OECD/World Bank data base on budget practices and procedures, item 2.2.b.1

Is the government's annual budget compared with the medium-term fiscal policy objectives?

OECD/World Bank data base on budget practices and procedures, item 2.2.b.12

c) Involvement of non-governmental academic experts

To what extent does the strategic planning unit involve non-governmental academic experts in its work?

How frequently does the president/ prime minister / cabinet as a whole consult strategic issues with academic experts?

How influential are non-governmental academic experts for governmental decision making?

1.2 Formulating programmes: To what extent is the government able to translate its political priorities into consistent, coherent and realistic policies?

a) Quality of interministerial coordination

Does the government office have expertise to evaluate ministerial draft bills substantively?

Can the government office / prime minister's office return materials envisaged for the cabinet meeting by referring to policy reasons?

Do line ministries involve the government office / prime minister's office in the preparation of policy proposals?

Is there a regular meeting of senior officials from different ministries to discuss and finalize cabinet agenda items?

How many of those items discussed by senior officials are discussed again in the cabinet?

Are items of the cabinet agenda discussed by ministerial or cabinet committees prior to decision by the cabinet?

How many of those items discussed by a committee are discussed again in the cabinet meeting?

b) Quality of regulatory impact assessment

Does the government regularly assess the potential socioeconomic impact of the draft laws it prepares (regulatory impact assessment, RIA)?

If there is no RIA, item 1.2b) is assessed negatively.

To what extent do RIA analyze the purpose of and need for a regulation?

To what extent are RIA based on consultations with stakeholders?

To what extent do RIA analyze alternative options?

To what extent do RIA analyze costs and benefits of a regulation?

1.3 Cooperation with economic and social actors: To what extent can the government motivate important economic and social actors to support its policy?

Important economic and social actors include employers associations, trade unions, business peak associations and business associations in the utilities sectors.

1.4 Public communication of government policies: To what extent does the government implement a coherent communication policy and can establish a public acceptance for its positions?

2. IMPLEMENTING REFORMS

2.1 Legislative quality: To what extent is the government able to translate its political priorities into high-quality legislation?

High-quality laws are laws that are likely to achieve their objectives, by means of a conceptual design, programming and instruments that are applicable, financially viable and compatible with the existing legal order. Based upon these criteria, the quality of legislation shall be evaluated by country experts. In addition, we use indicators of regulatory quality that are based on business surveys and reflect how enterprises assess the stability of the legal framework, the predictability of public administration and the efficiency of the tax system.

Please identify the five most important reform laws adopted between 2004 and 2006. „Important“ reform laws should affect one or several of the policy areas selected for the Status Index and entail serious consequences for the indicators listed there.

Please assess these laws as follows:

- a) Was it appropriate to create national laws to address the problems or should the problems better be addressed by substate/ european/ international regulations?
- b) Was it appropriate to create ordinary, formal laws to address the problems or should the problems better be addressed by constitutional amendments, framework laws, or sublaw-level regulations?
- c) Are the programs envisaged by the laws appropriate or would a different program be more appropriate to address the problems?

“Programs” refer to the logical links between a particular, specified state of affairs and its administrative or regulatory consequences envisaged by a law. These links may be of the “if-then” or „in order to“ type or may define a framework for self-regulation.

- d) Are the laws sufficiently detailed to achieve their objectives or would a more detailed / less detailed regulation be more appropriate?
- e) Are the sunset clauses and unlimited durations stipulated in the laws convincing, plausible and justified?
- f) Are the regulatory instruments contained in the laws appropriate or should the problems rather be tackled with alternative legal instruments?

Legal instruments include instructions, bans, incentives, organization and procedures, compensatory provisions, recommendations and warnings.

- g) Can the measures envisaged by the laws be financed appropriately?
- h) Are the laws compatible with the national legal order and the EU and international law?
- i) Is the quality of legislation monitored by a central and independent quality assurance body?
- j) Perception of regulatory quality

2.2 Legislative effectiveness: To what extent are the government and its supportive parliamentary deputies able to get their drafts adopted by parliament?

Laws and legislative changes adopted by parliament as a proportion of laws envisaged in the government's work plan.

2.3 Veto players: To what extent does the government effectively anticipate veto players in the legislative process?

- a) Cohesion of parliamentary groups of the governing party/ coalition
 - Median of the number of votes for government bills in the final votings of the first chamber of parliament / number of deputies of the governing party/ coalition
 - Amendments proposed by governmental deputies on government bills.
- b) Second chamber of parliament: number of government bills rejected by second chamber / number of

government bills submitted to second chamber

c) Constitutional court: number of laws declared unconstitutional

d) EU Commission / European Court of Justice: Number of infringement proceedings

e) Head of state: Number of laws not signed by the head of state

2.4 Implementation: To what extent can the executive implement its priorities, programmes and laws effectively?

a) Effectiveness of implementation: To what extent does the government achieve its own objectives?

b) Effective delegation to ministries and executive agencies

This question studies whether and to what extent the government can control and ensure that ministries and executive agencies fulfill tasks delegated to them.

To what extent does the organization of government ensure that ministers do not seek to realize their self-interest but face incentives to implement the government's program?

Does the government office / prime minister's office use performance indicators to monitor the activities of line ministries?

Do ministries use performance indicators to monitor the activities of executive agencies?

At what organizational level do internal audit entities exist?

Source: OECD/WB Budget practices and procedures 2003/06, survey item 4.1.b

Are internal audit procedures clear and subject to effective process review by external auditors?

Source: OECD/WB Budget practices and procedures 2003/06, survey item 4.1.d

Are internal audit units established in line ministries?

Source: OECD/WB Budget practices and procedures 2003/06, survey item 4.1.g

Are all spending units required to have an internal audit unit if they are not served by that of a line ministry?

Source: OECD/WB Budget practices and procedures 2003/06, survey item 4.1.h

Scope of internal auditing

Source: OECD/WB Budget practices and procedures 2003/06, survey item 4.1.i

Is there a central office for controlling and monitoring audit?

Source: OECD/WB Budget practices and procedures 2003/06, survey item 4.1.l

Powers of the central office for controlling and monitoring audit (if applicable)

Source: OECD/WB Budget practices and procedures survey item 4.1.m

Is there a central Supreme or National Audit Office?

OECD/WB Budget practices and procedures survey item 4.5.b

Is the National Audit Office peer reviewed by other country's audit offices?

OECD/WB Budget practices and procedures survey item 4.5.d

Invasiveness of external audit arrangements

OECD/WB Budget practices and procedures survey item 4.5.e

How is the independence of the National Audit Body from the executive established?

OECD/WB Budget practices and procedures survey item 4.5.f

Powers of the National Audit Body

OECD/WB Budget practices and procedures survey item 4.5.g

Public access to audit findings

OECD/WB Budget practices and procedures survey item 4.5.h

Does the external auditor conduct performance audits?

OECD/WB Budget practices and procedures survey item 4.5.i

What percentage of programmes have been audited in the last five years?

OECD/WB Budget practices and procedures survey item 4.5.j

Is there a system to track audit recommendations once issued?

OECD/WB Budget practices and procedures survey item 4.5.p

c) Delegation of tasks to regional and local government

This item investigates whether the government can control and ensure that regional and local governments effectively fulfill tasks delegated to them.

To what extent does the central government provide subnational governments with resources for tasks delegated to them?

To what extent can subnational governments determine tasks carried out as their own responsibilities?

To what extent can the central government ensure the quality of public services that are provided by subnational government on behalf of central government?

d) To what extent does the government cooperate effectively with non-governmental actors?

Important non-governmental actors include employers associations, trade unions, business peak associations and business associations in the utilities sectors.

3. INCORPORATING EXTERNAL REFORM IMPULSES

3.1 Importing policies

a) To what extent do political actors respond to international and supranational developments by adapting and innovating within the domestic political system?

b) To what extent are the insights of international coordination used to realize national policy innovations?

3.2 Exporting policies

a) To what extent does the government participate in the international coordination of joint reform initiatives?

Membership in international organizations

Financial contributions to international organizations

Participation in U.N. Security Council Missions

Ratification of important international treaties

b) How does the government use opportunities to disseminate its own reform priorities through supra- and international channels and to build transnational reform coalitions?

4. INSTITUTIONAL LEARNING

This criterion studies the extent to which important intra-executive institutions of self-reflexion (cabinet, leading civil servants and government office) enable the government to analyze its own policies and to reform its standard operating procedures in case of a failure of governance. To investigate this, we ask whether the cabinet debates political decisions as a collegiate body, the bureaucracy represents legal and administrative rationality criteria and the government office monitors the work of the government.

4.1 Cabinet as a collective and collegiate institution to discuss policies

a) Does a cabinet model of government exist in the sense of a compact group of politicians that take all important decisions, represents and promotes them in public - contrary to a model of decision-making that is restricted to one or few persons?

If there is no cabinet model, questions 4.2b) and 4.2c) are not taken into account in the aggregation.

b) Time spent by the cabinet to discuss policies / duration of cabinet meetings

c) Debated agenda items as a proportion of the total number of agenda items per cabinet meeting

4.2 Ministerial administration as a representative of professional and legal rationality criteria

Number of civil servants employed on the highest and second highest echelons of the civil service hierarchy / number of ministers and junior ministers

Openness of the recruitment procedures for senior civil servants

4.3 Government office as an institution to evaluate the work of the executive (political, legislative, fiscal monitoring und quality assurance)

a) Does the government office evaluate the implementation of the government's work programme?

b) To what extent does the government office evaluate the implementation of the government's work programme based on performance indicators?

Checklist „executive accountability“

1. CITIZENS: TO WHAT EXTENT CAN CITIZENS ASSESS EXECUTIVE GOVERNANCE ADEQUATELY AND ARTICULATE THEIR PREFERENCES?

1.1 Popular awareness of governmental policy making

1.2 Use of public consultation and dialogue for a

1.3 Political-cultural orientations

a) Trust in political institutions

b) Perception of one's own political influence

c) Popular attitudes towards reforms

2. PARLIAMENT: TO WHAT EXTENT CAN THE PARLIAMENT CONTROL EXECUTIVE ACTION AND REPRESENT SOCIETAL INTERESTS ?

2.1 De facto-impact on executive policy making

a) Legislation

How many members does the legislature have?

How many committees does the legislature have?

How many members does a committee have on average?

To what extent do the task areas of committees and ministries coincide

How many staff does a deputy have?

How many staff does a parliamentary group have?

How many academic staff support the legislature?

Are committees entitled to call for government documents?

Are committees entitled to invite ministers for hearings?

Are committees entitled to invite witnesses/ experts?

How many committee chairs are appointed (nominated) by the governing parties?

Is the audit office primarily accountable to the legislature?

Does the legislature have an ombudsperson?

b) Budget decision

Sources: OECD/World Bank data base on budget practices and procedures; country experts

What is the number of professional staff serving the budget or related committee(s)?

OECD/WB/IADB Budgeting data base for 30 OECD and 30 others, 2003/06 item 2.10d

Is there a specialised budget research organisation attached to the legislature that conducts analyses of the budget?

OECD/WB/IADB Budgeting data base for 30 OECD and 30 others, 2003/06 item 2.10e

Do political parties in the legislature receive funding for a special professional staff that deals largely with budget issues?

OECD/WB/IADB Budgeting data base for 30 OECD and 30 others, 2003/06, item 2.10f

What is the total number of special professional staff serving political parties and dealing largely with budget issues?

OECD/WB/IADB Budgeting data base for 30 OECD and 30 others, 2003/06, item 2.10g

Do individual members of the legislature typically have professional staff who deal with budget issues?

OECD/WB/IADB Budgeting data base for 30 OECD and 30 others, 2003/06, item 2.10h

Which elements of the budget does the executive present to the legislature?

OECD/WB/IADB Budgeting data base for 30 OECD and 30 others, 2003/06, item 2.7a

How much time does the parliament spend debating the budget draft?

OECD/WB/IADB Budgeting data base for 30 OECD and 30 others, 2003/06, item 2.7b

Implications if the legislature does not approve the budget before the start of the fiscal year?

OECD/WB/IADB Budgeting data base for 30 OECD and 30 others, 2003/0, item 2.7c

Restrictions on the right of the legislature to modify the budget bill

OECD/WB/IADB Budgeting data base for 30 OECD and 30 others, 2003/0, item 2.7d 2.7e and 2.7f

Is a vote on the budget considered a vote of confidence in the government, i.e., the government would resign if any changes are approved to its budget proposal?

OECD/WB/IADB Budgeting data base for 30 OECD and 30 others, 2003/0, item 2.7h

In practice, does the legislature generally approve the budget as presented by the executive?

OECD/WB/IADB Budgeting data base for 30 OECD and 30 others, 2003/0, item 2.7i

Does the legislature have any opportunity to formally debate/discuss overall budget policy prior to the introduction of (or just after) the executives' s budget?

OECD/WB/IADB Budgeting data base for 30 OECD and 30 others, 2003/0, item 2.7j

Is the government allowed to propose amendments to the budget being considered by the legislature?

OECD/WB/IADB Budgeting data base for 30 OECD and 30 others, 2003/0, item 2.9b

At what level of detail does the legislature approve budget appropriations?

OECD/WB/IADB Budgeting data base for 30 OECD and 30 others, 2003/0, item 2.9c

Can the legislature monitor the implementation of the budget by means of performance indicators contained in the budget plan?

OECD: Performance Information in the Budget Process, 2005 data collection for 26 OECD members + 2 observers

c) Parliamentary influence on the appointment and dismissal of ministers and junior ministers

2.2 Representativeness and quality of parliamentary debate

a) Representative composition of parliament: age and social structure (share of female deputies, education, profession, interest associations)

b) To what extent are parliamentary debates aimed at solving problems and promoting common interests?

3. PUBLIC SPHERE/ INTERMEDIARY ORGANIZATIONS: TO WHAT EXTENT DO THE MEDIA, PARTIES AND INTEREST ASSOCIATIONS REPRESENT SOCIETAL INTERESTS AND EVALUATE GOVERNMENTAL POLICY MAKING BASED UPON SUBSTANTIVE POLICY EXPERTISE?

3.1 Professional-analytic competence and diversity of opinion in media reporting on governmental policy making

a) Quality of reporting in the most used media

b) Share of political information in the most used media

c) Total circulation of quality newspapers and coverage of news and political magazines in the

electronic media

3.2 Professional-analytic competence of parties

a) Typology of party systems

b) Consistence of party programs

3.3 Balanced nature of civil society interest organization and representation