Preliminary Draft Only

Neoliberalism, Governance and the Washington Consensus: Empirics and Principles[1]

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Abstract

This paper aims to critically review the principles of 'neoliberalism' in the context of the Washington Consensus and of empirical measures of governance. Particular attention will be given to the establishment of a working definition of Neoliberalism, and to a comparison between these principles and the content of Williamson's (1990) original articulation of the 'Washington Consensus' and with Rodrik's (2006) 'augmented Washington Consensus'.

Burnside and Dollar (2000) focussed on the importance of the 'policy environment' for good economic performance. Their definition of the policy environment is discussed in the context of neo-liberal principles. Later studies which followed up Burnside and Dollar have used complex indicators rather than a custom-selected set of variables to represent the 'quality' of the policy environment. Since the early 2000s an increasing number of indicators have become available relating to the 'measurement' of good governance, and these are widely used as a basis for policy decisions including allocation of Official Development Assistance to recipient developing countries. Some Governance Indicators will be critically compared with the principles of the Washington Consensus and of Neoliberalism in order to assess the extent to which the indicators implicitly embrace these principles.

Published values for some of the indicators will be compared for countries with contrasting experiences, particularly focussing on sub-Saharan Africa but also extending the comparison to a number of developed and developing countries from other continents.

Introduction

'Neo-Liberalism' is a concept which is something like an elephant – very difficult to describe, but comparatively easy to recognise.[2] There appear to be comparatively few clear definitions of neo-liberalism, and perhaps this is a major reason why there is a degree of vagueness in its employment in the literature. Economists tend to be relatively clear in using the term, but non-economists tend to be less clear. For

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[2] There appears to be no consensus about whether neo-liberalism should be hyphenated. In this paper the hyphenated option has been used.

example, in working on the writing of sections of a book about the development of the Ghanaian economy an article by Jasper Ayelazuno (2014), a political scientist, came to light. This article, with the title "Neoliberalism and Growth without Development in Ghana: A Case for State-led Industrialization", should have offered a clear application of the concept of neo-liberalism to the recent development of the Ghanaian economy. However, on the second page we find this sentence: "How is this paradox explained by adherents of neoliberal/neoclassical development economics?" (Ayelazuno, 2014: 81). The implication of this question is that neo-liberalism and neo-classical economics are intricately entwined, perhaps even co-terminous. However, nothing could be further from the truth. 'Neo-liberalism' is a set of ideological doctrines and 'neo-classical economics' is a set of theoretical and methodological principles.

Let us consider this distinction in a little more detail. The classification of practising economists into conceptual, methodological or theoretical categories or 'boxes' is rather hazardous. First there is the question of whether the categories which have been set up are straightforward and realistic. There is the question of marginal cases, whether particular economists fit more easily into one category rather than another, and also whether they might have changed categories during their professional career. For example, although John Williamson, the originator or at least the codifier of the Washington Consensus (WC), took pains to separate himself and the WC from neo-liberalism there is actually little doubt that the WC sets out basically neo-liberal principles (Mavroudeas and Papadatos, 2007: 44-47). The WC has been subjected to a considerable amount of criticism over the years, three of the critics being Atkinson (1999), Rodrik (1992, 2002 and 2006) and Stiglitz (1998a and 1998b). All three of these leading economists would usually be considered as falling within the 'neo-classical' framework of analysis, but none would be considered as being neo-liberal in their ideological mindset. Mavroudeas and Papadatos also consider criticism of the WC from within the theoretical framework of Marxist Political Economy, naming Fine (2003) and Shaikh (2003 and 2004) in this context. We might also set up a category for Heterodox Economics, which would add another dimension – and another set of problems – to any classification. Suffice it to re-assert that neo-liberalism and neo-classical economics are by no means co-terminous.

This paper will continue with discussion of the concept of neo-liberalism, will move on to relate this concept to the WC, and then to the World Bank's CPIA and to other indicators. An attempt will then be made to distinguish between a 'full-blown, concept of neo-liberalism – which has been characterised as the 'Full Monty' – and a cut-down version which might be more applicable to many developing countries. There is then a concluding section.

The Concept of Neo-Liberalism

In order to provide a clearer view of the nature of neo-liberalism, particularly in the context of developing economies, it is helpful to go back a few years into the literature on the Washington Consensus – another concept or set of concepts. The Washington Consensus was originally articulated by John Williamson in an attempt to distil the essence of the principles of the economic reforms which were embodied in the Structural Adjustment Programmes (and their "conditionalities") imposed on a large number of developing countries during the 1980s and 1990s by the International Financial Institutions (the IFIs – the IMF and the World Bank). One of Williamson's papers (1990) is the first to set out the nature of the Washington Consensus, and several years later Williamson (2004) is probably the most 'mature' of the statements by the 'architect'. Williamson (2004: 9) contains an extremely important footnote, referring to the Mont Pèlerin Society (Williamson, 2004: 9), the wording of which refers to "neoliberalism" in the context of discussion about the approach of the Thatcher government in the UK to privatisation. Williamson's words are quite explicit in relation to the concept of neoliberalism: "I use the term in its original sense, to refer to the doctrines propagated by the Mont Pèlerin Society".

What is the Mont Pèlerin Society (MPS), what are its doctrines and how important are they within the discussion and/or application of 'neo-liberalism'? The inaugural meeting of the MPS was held at Mont Pèlerin in Switzerland in 1947. The were 39 participants at this inaugural meeting, among them being Milton Friedman, Friedrich Hayek, John Jewkes, Frank Knight, Fritz Machlup, Ludwig von Mises, Michael Polanyi, Karl Popper, Lionel Robbins, Wilhelm Röpke and George Stigler. This group was somewhat more diverse in its 'political' complexion than many critics of neo-liberalism might expect to see, and it was Lionel Robbins who drafted the original statement of

principles which was signed by all of those present at the 1947 meeting, and this statement “remains the Society’s guiding statement even to this day” (Butler, 2017). The MPS website describes their principles as relating to the “danger in the expansion of government, not least in state welfare, in the power of trade unions and business monopoly, and in the continuing threat and reality of inflation” (MPS, 2017).

The early development of the MPS and its interface with the US business community is described in some detail by Phillips-Fein in a chapter contributed to a book which contains a wealth of discussion about the principles and practice of ‘neo-liberalism’ (Phillips-Fein, 2007). The concluding chapter to this book contains a wide-ranging discussion of the origins of the concept of ‘neo-liberalism’ by one of the co-editors (Mirowski, 2007). In discussing the origins Mirowski concludes that

> “Hayek needs to be there since he was part of the meeting that first coined the term “neoliberalism” in 1938, and was to later form the basis for the Mont Pèlerin society. ……… Actually, the term is considerably older. The first recorded usage (according to the Oxford English Dictionary) dates from 1898, when it was used by the co-operative economist Charles Gide to describe, in a somewhat pejorative manner, the neoclassical economics of Maffeo Pantaleoni. ……. The difficulty in labeling individuals ‘neoliberal’ is precisely an effect of neoliberalism being a diffuse and contested political ideology/project not tied to a single organization. That there are varieties of neoliberalism does not mean that the concept is entirely without merit. It is a political label and an academic label rather than an entity. This does not mean its use implies propaganda rather than simply a pejorative” (Mirowski, 2007: 420-421).

Mirowski continues in these terms: “…. the premier point to be made about neoliberalism is that it cannot adequately be reduced to a set of Ten Commandments or six tenets or (N-1) key protagonists. First and foremost, it is better that it be approached as a “thought collective” (Mirowski: 2007: 428).

Notwithstanding this judgement Mirowski moves on, somewhat wordily, to establish a tentative set of 11 ‘tenets’ of neo-liberalism, which are debatable, but at least give a starting point for honourable discourse:

1. “The starting point of neoliberalism is the admission, contrary to classical liberal doctrine, that their vision of the good society will triumph only if it becomes reconciled to the fact that the conditions for its existence must be *constructed* [emphasis in original] and will not come about ‘naturally’ in the absence of concerted political effort and organization.”
2. “The dominant version at MPS emanated from Hayek himself, wherein ‘the market’ is posited to be an information processor more powerful than any human brain.”
3. “The neoliberals did agree that for purposes of public understanding and sloganeering, market society must be treated as a ‘natural’ and inexorable state of humankind.”
4. “A primary ambition of the neoliberal project is to redefine the shape and functions of the state, not to destroy it.”
5. “Neoliberals seek to transcend the intolerable contradiction by treating politics as if it were a market and promoting an economic theory of democracy. ……. it also explains why the neoliberal movement must seek to consolidate political power by operating from within the state.”
6. “Neoliberals extol freedom as trumping all other virtues; but the definition of freedom is recoded and heavily edited within their framework.”
7. “Neoliberals begin with a presumption that capital has a natural right to flow freely across national boundaries. The free flow of labor enjoys no similar right.”
8. “Neoliberals see pronounced inequality of economic resources and political rights not as an unfortunate by-product of capitalism, but as a necessary functional characteristic of their ideal market system.”
9. “Corporations can do no wrong, or at least they are not to be blamed if they do. This is one of the strongest areas of divergence from classical liberalism, with its ingrained suspicion of joint-stock companies and monopoly stretching from Adam Smith to Henry Simons.”

10. "The market (suitably reengineered and promoted) can always provide solutions to problems seemingly caused by the market in the first place."
11. "The neoliberals have struggled from the outset to make their political/economic theories do dual service as a moral code" (Mirowski, 2007: 434-440).

Mirowski identifies a certain paradox (or contradiction) within the neo-liberal school, and more particularly within the MPS: "Neoliberals tamed many of the contending contradictory conceptions by trying to have it both ways: to warn of the perils of expanding the purview of state activity *while simultaneously* imagining the strong state of their liking rendered harmless" (Mirowski, 2007: 442). This paradox is related to the strong preference for the impact of competition as a means, through the market, of achieving high levels of 'economic efficiency'. In the post-Thatcher/Reagan world of privatised service provision this explains the dependence upon strong state institutions for the establishment of competition within and between both public and private sectors through tendering and bidding, and through regulatory authorities – this paper will return to this issue in a later section. Even prior to the embracing of neo-liberalism by Thatcher and Reagan in the 1980s a considerable body of institutions had been established throughout the developed capitalist world for the regulation and control of monopoly and competition. In the USA trust-busting has a long history, and in the UK the Monopolies Commission formed the basis for more complex forms of market regulation – one might even conceptualise this process as the 'bureaucratisation' of markets. The logical outcome of the process can be observed through the operations of the European Union's Directorate General for Competition (EU, 2017). The question for this paper is how this approach to the regulation of markets relates to a) the recent experience of developing countries, and b) the application of neo-liberalism and the 'Washington Consensus in developing countries.

Another collection of essays focussed on neo-liberalism, again of a multidisciplinary nature, is that edited by Birch and Mykhnenko (2010a). The editorial introduction (Birch and Mykhnenko, 2010b) and the first chapter, by Miller (2010), set out the origins of neo-liberalism delving beyond the MPS. Essentially this collection comes from within the same 'mindset' as that edited by Mirowski and Plehwe (2007), which is reassuring.

The Birch and Mykhnenko edited collection includes a chapter by Van Waeyenberge (2010) which focuses on developing countries, neo-liberalism and the Washington Consensus (which will be considered later in this paper). The Mirowski and Plehwe edited volume has two chapters relating to international development. That by Plehwe (2010), entitled “The Origins of the Neoliberal Economic Development Discourse”, contains a fascinating discussion of the approach of neo-liberals to the economics of developing countries – starting with Bauer and Frankel (who were both associated with the MPS) and proceeding through the extensive deliberations of the MPS relating directly to ‘development economics’. The second of these chapters is by Bair (2010), entitled “Taking Aim at the New International Economic Order” (NIEO), providing a blow-by-blow account of the considerable efforts of the neo-liberal establishment to undermine and destroy the NIEO, which was regarded as a threat to international capitalism. Similar examples in more recent years might include the difficulty in sustaining the Comprehensive Development Framework (World Bank) and the Paris Declaration (OECD – DAC) in the international economic system.

A major component of ‘neo-liberalism’ is its emphasis on reliance on the ‘market’ for the allocation of resources, as opposed to allocation by ‘direction’ or ‘instruction’ which applies in systems which are not based on the market. These ‘directive’ systems might be characterised as ‘dirigiste’.
However, this apparently simple distinction between market-based and ‘directive’ resource allocation can be elaborated to reflect a variety of alternatives. For example, the Chinese form of ‘market socialism’ relies very considerably on the market – but it could hardly be described as being ‘neo-liberal’ in nature. The circumstances of China, where state-owned enterprises are quoted on the stock market and their shares can be purchased by private sector bodies, demonstrates the type of flexibility which has governed the application of market principles to Chinese economic reform (Williamson, 2010; Cross and Strachan, 2001: 187-188). The operation of the ‘social market economy’.

Distilling the essence of neo-liberalism from the ‘definitions’ in the literature is therefore not easy. The flexibility of the concept appears to defy straightforward listing of characteristics which adherents regard as essential to the neo-liberal mindset. However, in order to attempt rigorous discourse a listing has been attempted in Box 1

which might be an acceptable – but not pedantic – characterisation of the main neo-liberal principles.

Box 1 – A Tentative Characterisation of Neo-Liberal Principles

1. The prime factor in the allocation of resources and in the setting of economic priorities is the market;
2. Given this focus on the significance of 'the market' allowing free competition within markets is of the utmost importance;
3. The principal means of production, distribution and exchange should be privately owned;
4. State (government) involvement in the economy should be minimal;
5. In order to ensure free competition monopoly power within production, distribution and exchange should be minimal, and trades unions should not be permitted to exercise power within the labour market;
6. The legal system should ensure the unrestricted enforcement of market competition and of property rights.

Source: Author's own compilation.

There are three extensions to the characterisation shown in Box 1:

a) The principles or conditions of neo-liberalism extend from the domestic economy to the international economy;

b) The neo-liberal principles apply in a transition from an economy which does not meet the conditions through processes of 'liberalisation' and 'deregulation'. However, because neo-liberalism is committed to competition, where competition does not exist it can be 'enforced' through state intervention such as monopoly and take-over legislation and through privatisation of state-owned enterprises and institutions – which is 'allowed' within the articulation of the principles by the adherents of neo-liberalism;

c) The principles of neo-liberalism also apply to the financial sector, including its international dimension.

There are perhaps three major issues which represent ‘problems’ for the adherents of neo-liberalism, although these problems may not be acknowledged. First, the impact of globalisation, of the economic and financial power exercised by transnational corporations (including those in the financial sector), and of the market asymmetry created by these factors, creates unevenness within the ‘free play of market forces’ with no countervailing institutional regulation comparable to that ‘permitted’ by neo-liberalism within domestic markets. Second, the existence of ‘market failures’ – emphasised by many neoclassical economists (such as Stiglitz, ref xxxx) – creates an exceptionally strong case for government ‘intervention’ in markets (including the use of compensatory taxes and subsidies) beyond that permitted by neo-liberalism. Third, the neo-liberal paradox or contradiction pervades practical application of the key principles simply because the ensuring of ‘competition’ relies upon policing by governments – essentially in the ‘public interest’ (which does not feature in the articulation of neo-liberal principles).

The Washington Consensus

There has been a considerable literature relating to the Washington Consensus (WC) since it was first articulated by Williamson in 1990, and some of the contributions have been referred to in the Introduction. Williamson himself has provided a range of ‘updates’ over the years, most of which can be located through the website of the Peterson Institute for International Economics and which have been included in the references at the end of this paper (1993, 1994, 1998a, 1998b, 1998c, 1999, 2004, 2008, 2009a, 2009b and 2010). Comprehensive overviews are provided by Van Waeyenberge (2006 and 2010), and Gore (2000) places the WC within the context of paradigm shifts (following Kuhn 1962, 1970). Cross and Strachan consider that the “Three Pillars” of conventional wisdom embodied in the WC are free markets, price stability and deregulated financial markets (2001). However, the summary of the main attributes of the WC contained in Table 1 (which has been reproduced from Tribe et al., 2010) makes it clear that the WC has considerably wider ramifications than these three pillars.

Table 1 – The Washington Consensus

Main Issue	Characterisation of the problem	Content of the Washington Consensus	Implications as practised by the IFIs	Outcomes expected
Distortions in post-colonial economies have been caused by state intervention in the form of dysfunctional policies.	1) Significant government deficits and high rates of inflation; 2) Mismanagement of public expenditure; 3) Inadequate tax collection; 4) Negative real interest rates and inadequate financial sector management; 5) Overvalued foreign exchange rates with disincentive for exports; 6) Trade policy provides random and dysfunctional protection for domestic production; 7) Economic policy environment discourages foreign direct investment; 8) Many public institutions operate with significant deficits and inadequate replacement and new investment; 9) Many regulations provide disincentives for investment and innovation; 10) Inadequate protection of personal and property rights.	1) Fiscal discipline; 2) Prioritising public expenditure; 3) Tax reform; 4) Financial liberalisation; 5) Market determined exchange rates; 6) Trade liberalisation; 7) Openness to foreign direct investment; 8) Privatisation; 9)Regulatory reform and deregulation; 10) Property rights reform.	Universal economic principles – one size fits all: Focus on: 1) Short-term allocative efficiency rather than on growth, equity and poverty reduction; 2) Macro-economic stability; 3) Open economies – trade and financial liberalisation vis a vis the rest of the world regardless of the impact on the domestic economy; 4) Liberalisation and de-regulation of domestic markets.	1) Macroeconomic stability; 2) More predictable and manageable economy; 3) Firmer basis for achievement of economic and social policy objectives; 4) The end of the 'developmental state'.

Source: Tribe et al., 2010: Table 8.1 pages 190-191 – based on Williamson (1993 and 1998a).

Two of the economists who, while not regarded as following the neo-liberal creed, contributed significantly to the literature on the WC are Stiglitz (1998a and 2004) and Rodrik (2006). Their distinctive contribution was to add what has become known as the 'post-Washington Consensus' (post-WC – referred to by Rodrik as the "augmented" WC) to the original Williamson delineation. The additional elements can be seen in Table 2, taken from Rodrik's 2006 paper – and they are principally a clearer focus on anti-corruption policy, on social safety nets and on targeted poverty reduction. None of these three additional elements feature in the basic neo-liberal principles, and – in particular – the social safety nets and poverty reduction items highlight the absence of the 'equity' and income distribution issues from the principles of neo-liberalism.

Perhaps one of the most interesting aspects of a comparison between the principles of neo-liberalism and the WC is that fact that the Mont Pèlerin Society's (MPS) conceptualisation was based on a 'steady state' situation. This is intended to mean that the characteristics embodied in the MPS 1947 statement referred to a set of 'ideal' conditions. The WC however was explicitly addressed to a reform agenda which was focussed on changing the 'economic architecture' – in other words a 'structural adjustment'. The implication of this is that 'privatisation' (or 'divestiture') refers not just to a preference for private sector activity over state-led activity but to the transfer of economic activity from the public sector to the private sector. Likewise, 'trade liberalisation' refers to the removal of a range of features of the trade regime which were regarded as restricting economic activity. The dynamic element of the economic reforms was intended to undermine or destroy the *status quo*, and in creating this 'disturbance' it would have been evident that the ultimate impact of the economic reform could not have been known. In some respects it was a matter of faith that the *ex post* situation would be better than the *ex ante* situation (i.e. better than the *status quo*).

Table 2 – The Augmented Washington Consensus

Original Washington Consensus	"Augmented" Washington Consensus – the previous 10 items plus:
1. Fiscal discipline	11. Corporate governance
2. Reorientation of public expenditures	12. Anti-corruption
3. Tax reform	13. Flexible labour markets
4. Financial liberalization	14. WTO agreements
5. Unified and competitive exchange rates	15. Financial codes and standards
6. Trade liberalization	16. "Prudent" capital-account opening
7. Openness to DFI	17. Non-intermediate exchange rate regimes
8. Privatization	18. Independent central banks/inflation targeting
9. Deregulation	19. Social safety nets
10. Secure Property Rights	20. Targeted poverty reduction

Source: Rodrik, 2006: 978

A dramatic example of this radical impact of the WC approach is provided by the economic reforms initiated In Ghana in April 1983 in the *Economic Recovery Programme* (Huq and Tribe, forthcoming). For example, in the administratively controlled Ghanaian foreign exchange market the exchange rate between the cedi and the US$ was held at 2.75 from August 1978 until April 1983 despite very significant domestic inflation which was considerably higher than international inflation rates (and particularly that affecting the US$). By March 1983 the parallel, or black market, rate for the US$ was approximately 70 to 80 cedis, over 25 times the official rate. The *de facto* devaluation which was adopted in April 1983 was about 27 cedis to the US$, a 10-fold reduction/increase in the foreign exchange rate. No amount of traditional microeconomic analysis based on the use of marginal price elasticities could possibly predict the economic impact of such a large devaluation, so that management of the Ghanaian foreign exchange market entered a period of experimentation which involved progressive devaluation in the years following the initial devaluation, with the adoption of several changes in policy and institutional arrangements. While neo-liberals would welcome the shift from an administratively determined foreign exchange rate to one which was determined by the market (the current situation) the basic principles of neo-liberalism could give no guidance over the appropriate exchange rate to adopt in April 1983.

From the late-1990s there came a major change in the policies of the International Financial Institutions (IFIs – the World Bank and the International Monetary Fund. It had been recognised that the impact of the Structural Adjustment Programmes, which had been linked to the 'conditionalities' associated with economic reform and access by the affected developing countries to international aid, had themselves been responsible for the creation of unemployment and reductions in income for significant parts of the population. The adoption of programmes which mitigated these negative impacts had done little to reduce the poverty arising from adjustment. A major change in emphasis was therefore introduced by the World Bank and by much of the international donor community which led to the adoption of a major international initiative through Poverty Reduction programmes (World Bank, 2004). This was associated with the further development of statistical indicators – which had been started by the UNDP with the Human Development Index (UNDP, 1990) – and by the development of policy advice oriented towards poverty reduction (World Bank, 2002). This type of focus on the reduction of levels of poverty is nowhere to be found within the principles of neo-liberalism.

Thus, in this brief discussion of the WC and the post-WC it can be seen that there are considerable 'fingerprints' of neo-liberalism on much of the core content of both. However, in terms of a) 'hands-on' policy guidance and b) a concern with welfare and poverty reduction the approach of the IFIs, of the international donor community, and of developing country governments there have been major elements which are not contained within the principles of neo-liberalism.

The World Bank's CPIA and other Indicators

For a considerable number of years the World Bank's International Development Association (IDA – the 'soft loan' branch of the World Bank's aid system) has been using a Country Policy and Institutional Assessment (CPIA) system as part of its inter-country funding allocation system. Initially the CPIA was a purely internal affair, but from the early 2000s it was moved into the public sphere, and in 2009 it was the subject of a major evaluation (Tribe, 2013). The basic elements which together comprise the CPIA overall indicator of the 'quality of policy' are shown in Box 1 and data for all of the variables are available for recent years from the World Bank's World Development Indicators (World Bank, 2016a). The CPIA indicator is widely used in policy analysis

and in the development literature and, for example, it was used in the DFID Needs-Effectiveness Indicator which was the basis for its 2011 review of aid allocation (Tribe, 2017).

The most directly relevant aspect of the CPIA system for this paper is its representation of the 'quality of economic policy' within the literature relating to the relationship between foreign aid inflows and the economic growth of recipient developing countries. As part of the World Bank's major assessment of the impact of foreign aid undertaken in the late 1990s Burnside and Dollar quantitatively analysed the association between aid flows, the quality of economic policy and economic growth (Burnside and Dollar, 2000). As indicators of the quality of macroeconomic policy they used three variables: trade openness, monetary policy (inflation) and the budget surplus (Burnside and Dollar, 2000: 849-850). Other variables were included in order "to capture various institutional and political factors that might affect growth ….. we use a measure of institutional quality that captures security of property rights and efficiency of the government bureaucracy ….. ethnolinguistic fractionalization variable ….. the assassinations variable used by several studies to capture civil unrest. ….. The final institutional variable is the level of broad money (M2) over GDP, which proxies for the development of the financial system" (Burnside and Dollar, 2000: 850).

This gave a somewhat complicated, and contestable, form of analysis with the unsurprising conclusion that where aid was associated with a 'good policy environment' it had a higher impact on economic growth than in circumstances where a good policy environment was not present. Follow-up research simplified the analysis, and a particularly important contribution is that by Collier and Dollar (2004) in which the complex form of the policy and institutional factors used by Burnside and Dollar (2000) was substituted by the CPIA measure. By 2004 the CPIA index had started to emerge into the public domain, and since then it has been the major indicator used in judging policy and institutional quality.

Box 2 – 2016 CPIA Criteria

A. Economic Management 1. Monetary and Exchange Rate Policies 2. Fiscal Policy 3. Debt Policy and Management **B. Structural Policies** 4. Trade 5. Financial Sector 6. Business Regulatory Environment **C. Policies for Social Inclusion/Equity** 7. Gender Equality 8. Equity of Public Resource Use 9. Building Human Resources 10. Social Protection and Labor 11. Policies and Institutions for Environmental Sustainability	**D. Public Sector Management and Institutions** 12. Property Rights and Rule-based Governance 13. Quality of Budgetary and Financial Management 14. Efficiency of Revenue Mobilization 15. Quality of Public Administration 16. Transparency, Accountability, and Corruption in the Public Sector

Source: World Bank, 2016b

The version of the CPIA which originally arrived in the public domain was based on 20 variables, but this was subsequently reduced to the 16 which appear in Box 2. If the 16 variables are compared with the 20 components of the augmented WC (Table 2 above) it can be seen that there is a quite close association between the two sets of conditions. If the 16 variables shown in Box 2 are compared with Williamson’s basic WC (Table 1) it can be seen that the principal omissions from Table 1 are in element C (variables 7 to 11) and in element D (mainly variables 14 and 16). If a further comparison is made with neo-liberal principles (as listed in Box 1), together with the extensions in the discussion following the Box, it could be suggested that Williamson’s WC is quite close to the basic principles of neo-liberalism but that the augmented (or post-) WC introduces significant additional features which were excluded from the ‘basics’.

The data for the CPIA values are compiled by staff of in-country World Bank offices on the basis of an extremely comprehensive questionnaire, and the annual results for each country are ‘peer-reviewed’ by World Bank staff in Washington (World Bank, 2010). Although it is possible to criticise the CPIA values on the grounds of subjectivity and consistency (Tribe, 2013 and 2017) they represent a well-established, tried and

tested set of indicators which, if used judiciously, can be of great value in analysing ‘country performance’.

Table 3 – CPIA Cluster Scores for Selected African Countries – 2005-2015

Year		2005	2010	2015
Economic Management	Ghana	4.17	3.67	3.00
	Nigeria	3.83	4.17	3.83
	Kenya	4.17	4.17	4.33
	Tanzania	4.50	4.17	4.00
	Uganda	4.50	4.33	4.17
Structural Policies	Ghana	3.83	4.17	3.67
	Nigeria	2.83	3.50	3.50
	Kenya	3.83	4.00	3.83
	Tanzania	3.67	3.83	3.67
	Uganda	3.83	3.83	4.00
Policies for Social Inclusion/Equity	Ghana	3.70	4.00	3.90
	Nigeria	3.10	3.20	3.50
	Kenya	3.10	3.70	3.70
	Tanzania	3.80	3.70	3.70
	Uganda	3.90	3.70	3.70
Public Sector Management and Institutions	Ghana	3.70	3.70	3.70
	Nigeria	2.80	2.90	2.80
	Kenya	3.30	3.30	3.40
	Tanzania	3.80	3.30	3.30
	Uganda	3.30	3.20	3.10

Source: World Bank, 2016a.

The second measure considered in this paper is the World Bank ‘Governance’ indicator, which has much less economic and financial content than the CPIA, and which does not have quite as much ‘instrumentality’ in terms of being used as a policy decision making tool. The basis for

The World Bank ‘definition’ of governance is given on the website which is devoted to the measures from which the data in Table 4 have been derived. The definition reads as follows (World Bank: 2017):

> "Governance consists of the traditions and institutions by which authority in a country is exercised. This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them.

There are six components of the principal World Bank measurement of Governance: the Control of Corruption; Government Effectiveness; Political Stability and Absence of Violence; Regulatory Quality; the Rule of Law and Voice and Accountability. Unlike the CPIA there is no attempt to average or to combine these individual components. The measures are presented on a scale of –2.5 to +2.5

Table 4 – World Bank Measures of Governance

Country	Control of Corruption			Government Effectiveness			Political Stability and Absence of Violence/Terrorism		
Year	1996	2006	2015	1996	2006	2015	1996	2006	2015
Bangladesh	-0.7330	-1.4259	-0.8751	-0.7280	-0.7675	-0.7278	-0.6121	-1.4736	-1.1547
India	-0.4025	-0.2852	-0.3804	-0.0817	-0.0357	0.1006	-0.9112	-1.0568	-0.9210
Pakistan	-0.6037	-0.7818	-1.0517	-0.7280	-0.4944	-0.4830	-1.6103	-1.1576	-0.8620
Ghana	-0.2214	-0.0033	-0.1751	-0.1148	0.1296	-0.2556	-0.3237	0.0154	0.0283
Uganda	-0.6037	-0.7818	-1.0517	-0.7280	-0.4944	-0.4830	-1.6103	-1.1576	-0.8620
Zimbabwe	-0.2499	-1.3235	-1.2869	-0.2287	-1.2716	-1.1480	-0.5333	-0.9067	-0.5773
Brazil	-0.0721	-0.1359	-0.4327	-0.1491	-0.2392	-0.1890	-0.2467	-0.2781	-0.3792
China	-0.2511	-0.5186	-0.2675	-0.2483	0.0804	0.4242	-0.1671	-0.5430	-0.5605
Mexico	-0.4469	-0.2525	-0.7421	0.0691	0.1551	0.2109	-0.9653	-0.6428	-0.8738
Russian Federation	-1.0230	-0.8497	-0.8626	-0.5169	-0.4490	-0.1826	-1.2242	-0.9041	-1.0491
Belgium	1.3135	1.2520	1.5826	1.8147	1.7170	1.4414	1.2075	0.8452	0.6031
Canada	2.1962	1.9596	1.8546	1.8797	1.9246	1.7651	1.1557	0.9907	1.2421
France	1.2572	1.4582	1.2798	1.4172	1.5866	1.4432	0.8133	0.5662	0.2735
Germany	1.9948	1.7880	1.8190	1.8443	1.6235	1.7397	1.2075	0.9960	0.7152
Greece	0.3366	0.3527	-0.1301	0.8185	0.6839	0.2492	0.4465	0.6359	-0.2269
Italy	0.3594	0.4601	-0.0470	0.8227	0.3884	0.4540	1.0338	0.5003	0.3436
Japan	1.0468	1.3193	1.6086	0.9566	1.5583	1.7914	1.1082	1.0822	0.9777
Switzerland	2.1019	2.1279	2.1691	1.9122	2.0323	2.0098	1.3733	1.2653	1.3112
United Kingdom	2.1206	1.7897	1.8674	1.8793	1.7202	1.7388	0.9143	0.6379	0.5569
United States	1.5658	1.3173	1.3785	1.7124	1.6041	1.4620	0.8681	0.4863	0.6991

Table 4 – World Bank Measures of Governance (continued)

Country	Regulatory Quality			Rule of Law			Voice and Accountability		
Year	1996	2006	2015	1996	2006	2015	1996	2006	2015
Bangladesh	-1.0608	-0.9661	-0.9288	-0.9620	-0.8862	-0.7002	-0.1238	-0.4855	-0.4935
India	-0.4407	-0.2371	-0.3914	0.2592	0.1851	-0.0566	0.4036	0.4165	0.3892
Pakistan	0.2079	-0.2146	-0.2421	-0.6363	-0.3371	-0.3408	-0.9514	-0.4230	-0.5863
Ghana	-0.3829	-0.0716	-0.0309	-0.3408	0.0015	0.1181	-0.3413	0.3692	0.5110
Uganda	0.2079	-0.2146	-0.2421	-0.6363	-0.3371	-0.3408	-0.9514	-0.4230	-0.5863
Zimbabwe	-0.9762	-1.9311	-1.6469	-0.8164	-1.7219	-1.3491	-0.6185	-1.5291	-1.1927
Brazil	0.4120	-0.0343	-0.2125	-0.3290	-0.4174	-0.1928	0.0879	0.4445	0.3831
China	-0.1352	-0.1824	-0.2685	-0.4315	-0.5526	-0.3372	-1.2944	-1.6873	-1.5786
Mexico	0.3910	0.3842	0.4000	-0.7681	-0.4611	-0.4699	-0.0883	0.1141	-0.1275
Russian Federation	-0.2832	-0.4115	-0.5224	-0.8703	-0.9323	-0.7197	-0.2984	-0.9029	-1.0675
Belgium	1.1933	1.3196	1.2773	1.3106	1.2017	1.4211	1.4620	1.3612	1.3927
Canada	1.4258	1.5548	1.7059	1.6328	1.7926	1.8357	1.6186	1.4426	1.4432
France	0.9296	1.2290	1.1545	1.4457	1.4479	1.4065	1.3135	1.3019	1.1846
Germany	1.3769	1.5654	1.6651	1.5654	1.7581	1.7823	1.3291	1.3856	1.4320
Greece	0.6498	0.8393	0.3972	0.9762	0.8598	0.2424	0.9748	0.9360	0.5907
Italy	0.8257	0.9509	0.7300	0.9822	0.3514	0.2518	1.1295	1.0527	1.0120
Japan	0.6865	1.2596	1.1770	1.3183	1.3529	1.5114	1.0508	0.9356	1.0225
Switzerland	1.5097	1.5048	1.7558	1.9063	1.8021	1.9662	1.4435	1.5703	1.5762
United Kingdom	2.0229	1.8438	1.8556	1.5927	1.7571	1.8051	1.2920	1.3933	1.2701
United States	1.5909	1.6482	1.2976	1.4502	1.5751	1.6037	1.3660	1.0787	1.0752

Source: World Bank, 2016a.

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Conclusions

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