

Bertelsmann Stiftung (ed.)

Sustainable Governance Indicators 2011

Policy Performance and Governance Capacities in the OECD

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Preface

The OECD world has been hard hit by the global economic and financial crisis. In 2009, many countries experienced their worst recession since the end of World War II, and many continue to struggle today with the severe aftereffects of crisis. The Sustainable Governance Indicators 2011 (SGI 2011) survey period stretches from the beginning of May 2008 to the end of April 2010, thus covering precisely the time in which governments were particularly challenged to react to the crisis quickly and resolutely. Yet the acute, short-term pressure of looming problems, as the crisis produced and continues to produce, must not lead to neglect of the fundamental need for sustainability. Indeed, policymakers must retain a focus on the long-term viability of sociopolitical, economic, and environmental systems in order to maximize the opportunities and quality of life afforded both to current *and* future generations.

Decisions on investment, consumption, conservation, and the exploitation of resources are not made by abstract “generations” but, rather, by quite specific individual and collective actors. In the sustainable creation and protection of citizens’ opportunities, government action plays an undeniably prominent role through concrete policies and steering activities in areas such as finance, education, health, family policy, pensions, the environment, and research and development.

It is with an eye to the issue of sustainable governance that the SGI 2011 allow the strengths and weaknesses of OECD states’ political and economic systems to be identified with considerable precision. This is true of countries’ crisis-related vulnerabilities and short-term crisis-management capabilities as well as of the capability to successfully meet critical future challenges. These include not only ongoing economic globalization, but also demographic change in the form of aging societies, migration trends, new security risks, and the increasing scarcity of resources. As broad drivers of policy-making, these various challenges can be broken down into specific issues and a variety of separate policy areas, in each of which weaknesses rather than optimum performances are often clearly evident. From this analysis of strengths and weaknesses emerges a clear picture of each country’s reform needs.

OECD states’ reform needs are represented as a part of the SGI 2011’s Status Index, which provides answers to two essential questions: First, how successfully do individual countries realize sustainable policy outcomes in the context of a socially responsible market economy?

And, second, what is the quality of the country's rule of law and democratic framework? For it is only in the context of a solid democratic order, which ensures truly equal opportunities for participation and a rigorous adherence to the rule of law, that sustainable policy outcomes can ultimately be achieved.

Alongside the question of reform needs is that of whether political systems have the fundamental *capacity* to implement critical reforms and political measures effectively. Answering this question is not a trivial task, as the formulation, passage, and implementation of reforms in modern democracies involve the participation of numerous actors. The SGI 2011 measure the *reform capacity* of the various OECD states through its Management Index, which seeks to do justice to the issue's complexity through a broad set of individual indicators. The Management Index closely examines governments' political steering capabilities as well as their interactions with other institutional and societal actors—particularly citizens, legislatures, interest groups, and the media—through each phase of the policy cycle. In taking this broad perspective, the SGI project goes far beyond other comparable indices.

The overall approach of the Bertelsmann Stiftung's *Sustainable Governance Indicators* is driven by the premise that the higher a government's reform and policy-shaping capacity, the more likely its actions are to improve the country's political, economic, and social state in the medium to long term with respect to the above-noted key issues, thus effectively addressing the country's reform needs. This hypothesis should not be taken to imply that a reform-capable government always carries out the "right" reforms (whatever those may be) and thus achieves the best possible results. It simply suggests that reform needs should decline in countries whose governments demonstrate a strong capacity for reform, and vice versa. Only time will tell whether this holds true throughout the OECD member states.

The development of the SGI 2011 took place in part through a thorough internal and external evaluation of its 2009 pilot-edition predecessor. This led to various adjustments being made both in the survey process and in the index design itself, placing methodological limits on the ability to make direct comparisons between the SGI 2011 and the SGI 2009 results. However, in the course of the SGI 2011 survey, a process of interpolation was carried out for the adjusted indicator sets that was aimed at developing correspondingly adjusted values for the SGI 2009 survey period (January 2005 through March 2007). This has made possible a comparison between the recalculated SGI 2009 results and those of the newly released SGI 2011 (particularly through the project's website, found at www.sgi-network.org).

The 2011 edition of the SGI was also the first of the project's editions to incorporate new OECD member Chile, which—as the results show—had no need to fear comparison with many longtime OECD states. The Sustainable Governance Indicators 2013 will also evaluate Slovenia, Israel, and Estonia, which have joined the OECD in the interim, but could not be considered in this round.

More than 80 renowned experts from around the world participated in the SGI 2011's complex and multi-stage process of data collection and data review. As in the SGI 2009 pilot edition, the focus of interest lies not solely on quantitative data, but also on country experts' detailed qualitative evaluations. The full conclusions of the SGI 2011 are thus not to be found in a single number or ranking but, rather, in the systematic comparative treatment of a variety of qualitative assessments, their transparent portrayal, and their comparison with other coun-

tries' results. In order to provide this layer of added value on top of simply quantitative data, our SGI country experts have compiled extensive reports on each of the 31 surveyed OECD countries, working on the basis of a detailed, standardized codebook.

This publication is meant to serve as an introduction to the project as whole. The contributions presented here draw upon the vast body of data and knowledge collected and made available at www.sgi-network.org. The website not only provides users full access to all the data, assessments, and results; it also allows users to draw comparisons between countries at each level of assessment. The SGI's combined total of nearly 150 qualitative and quantitative indicators outline the sustainable policy performance in each OECD country surveyed.

This volume begins by explaining the theoretical and methodological underpinnings of the SGI as a rather complex measuring tool. In their contribution "Sustainable Policy Outcomes, High Democratic Standards, and Sound Political Steering as Benchmarks for Measuring Sustainable Governance in the OECD," Daniel Schraad-Tischler and Najim Azahaf provide a short introduction to the approach used by the SGI team in measuring sustainable governance. Focusing in particular on the two pillars of the SGI, the Status Index and the Management Index, they establish the context for the two following contributions, in which the conceptual and theoretical roots of both indices and their components are explored. In "The Status Index: Sustainable Governance and Policy Performance," Friedbert W. Rüb and Tom Ulbricht discuss the theoretical framework of the Status Index, its constituent parts, and how they relate. They examine from a theoretical perspective the conditions for sustainable governance in terms of the quality of democratic standards and how well policies perform in 15 areas, using these premises to delineate the composition of the Status Index.

In a similar manner, Werner Jann and Markus Seyfried provide a theoretical overview of the Management Index and its architecture. They explore in particular the theoretical underpinnings of governance as a concept and how it is understood—in terms of political steering—within the SGI context. The architecture of the Management Index reflects the SGI's dynamic understanding of governance by examining both a government's capacity to act ("Executive Capacity") and the extent to which non-governmental actors and institutions are endowed with the participatory competence to hold the government accountable to its actions ("Executive Accountability"). This includes citizens, legislatures, parties, associations, and the media, that is, actors that monitor the government's activities and whose effective inclusion in the political process improve the quality of governance. Ending the theoretical-methodological section is the contribution "Sustainable Governance Indicators 2011: Concepts and Methodology," by Martin Brusis and Jörg Siegmund, in which the weighting and aggregation methods used to calculate SGI results are described, as is the SGI's multi-stage process of data collection, review, and validation. This multi-stage process involves individual country experts, regional coordinators, and a board of scholars and experts, each monitoring the results provided by the other in order to deliver the highest possible measure of objectivity, reliability, and validity.

The second section of this volume is concerned with the empirical results of the SGI 2011: How well do the 31 OECD states surveyed fare in terms of their reform needs and reform capacity? What are their respective strengths and weaknesses? In their contribution, Kathrin Dümig and Reimut Zohlnhöfer focus on the overall results for the Status Index. In the follow-

ing contribution, Markus Seyfried examines the cross-national results for the Management Index. His analysis shows that the northern European states of Sweden, Norway, Finland, and Denmark, together with New Zealand, perform best in both the Status Index and the Management Index. These countries underscore the fact that, even in globalized world fraught with interdependencies, governments continue to exercise considerable agency in formulating and implementing effective, sustainable policies. The institutional layout of government bureaucracies is in no way the only factor decisive in shaping a government's steering capacity. For this reason, the Sustainable Governance Indicators emphasize the importance of participation in policy-making processes by exploring the extent to which governments effectively incorporate the knowledge and feedback of societal actors through sound democratic institutions.

The two contributions discussing the results for the Status Index and the Management Index also provide initial inroads into the variety of comparisons and research opportunities presented by the Sustainable Governance Indicators. However, summary overviews of the results are limited in their capacity to deliver the substantive contexts needed for more targeted research questions and interests. This volume therefore includes excerpts from the individual country reports—the executive summary and strategic outlook—for each of the 31 OECD countries surveyed. These excerpts, which summarize the key findings for each country and identify the urgent challenges to be addressed, introduce the reader to the substantive quality of the SGI project, the full extent of which can be explored online at www.sgi-network.org. Readers are encouraged to download full reports and explore the variety of comparisons made possible by the website.

The website allows users to pursue their individual interests and identify concrete examples of successful practices that can inspire or influence reform measures in other countries. This is not to suggest that policies and approaches yielding success in one country will necessarily yield the same success in another political system. Long-standing institutional path dependencies, the diversity of political cultures, and diverging concepts of the welfare state must be taken into account when considering the state of affairs in another country. Nevertheless, this should not prevent those in search of effective approaches to draw inspiration from the priorities set and success of measures taken in other countries. The SGI 2011 deliver a vast body of qualitative and quantitative data with enormous potential for those vested in improving the state of governance.

An international project of this academic caliber and complexity that sets such high standards of independence and political relevance would not have been possible without the help of several individuals whose knowledge and expertise fueled the two years of work involved in developing this edition of the Sustainable Governance Indicators. We would therefore like to thank the experts from around the globe for providing the individual country reports and the seven regional coordinators—Nils C. Bandelow, Frank Bönker, César Colino, Aurel Croissant, Detlef Jahn, Martin Thunert, and Reimut Zohlnhöfer—for taking on the responsibilities involved with evaluating these reports in order to establish the final reports and scores. We extend our thanks and appreciation as well to the members of the SGI Board, whose expertise and counsel have favorably informed the process. We thank as well all those who have provided technical and practical support in handling, managing, visualizing, and publishing the

results for this edition of the SGI. In this capacity, we thank in particular Dieter Dollacker and Dirk Waldik for developing and designing the project's online work platform, the database, and our website, www.sgi-network.org, as well as Barbara Serfozo for managing the editorial process and translation of various texts. Last but by no means least, I would like to thank all of my colleagues at the Bertelsmann Stiftung who have provided operational and conceptual support. For their tireless effort and commitment, I would like to thank in particular the members of the project team: Najim Azahaf, Thorsten Hellmann, Pia Paulini, Daniel Schraad-Tischler, and Robert Schwarz.

Dr. Stefan Empter

Senior Director

Evidence-Based Policies

Bertelsmann Stiftung

Theoretical Framework and Methodology

Sustainable Policy Outcomes, High Democratic Standards, and Sound Political Steering as Benchmarks for Measuring Sustainable Governance in the OECD

Daniel Schraad-Tischler, Najim Azahaf

Measuring sustainable governance

The Bertelsmann Stiftung's Sustainable Governance Indicators (SGI), first published in 2009 (Bertelsmann Stiftung 2009), are a critical counterpart to the Bertelsmann Transformation Index (BTI), which has appeared since 2004. While the BTI assesses the fundamental development of 128 countries in transition to democracy and a market economy, the SGI project closes a previously significant gap, subjecting the highly developed industrial countries of the OECD to a detailed comparison of their own performance in adapting to change. This is accomplished using a set of indicators tailored specially to these states, which take into account the complex challenges and megatrends confronting the OECD states at the beginning of the 21st century. Processes of globalization, migration, dwindling resources, climate change, aging societies, and new security risks place the democracies of the OECD under considerable pressure to adapt and demand a correspondingly dynamic and adaptable policy-making performance (see contribution by Rüb and Ulbricht in this volume). In particular, the dramatic recent experiences associated with the global economic and financial crisis have emphasized the need for an effective and efficient ability to steer policy (see Bertelsmann Stiftung 2010b). In a fast-changing environment, and in the face of increasingly complex constellations of problems, it is more than ever incumbent upon governments to react resolutely in the short term and to assess the long-term consequences of their political activity competently. Since the autumn of 2008, government action has come almost continuously under the heading of "crisis management." The pressure of acute short-term problems, though it without question demands quick decisions, does not mean considerations of sustainability must be systematically neglected. Indeed, it is only through attention to this issue that the future can ultimately be assured.

This latter point means, in essence, that the steering performance of political actors, their corresponding institutional frameworks, the instruments chosen, and the ultimate outcomes of political activity must always be considered with an eye to the future. To this end, two analytical dimensions can be distinguished: first, a substantive or content-related dimension associated with concrete policy outcomes as well as the political and constitutional frameworks in which they occur; and, second, a more process-oriented dimension concerned with

the ability of political actors to steer policies and encompassing the actual interactions between government and civil society actors.

- The substantive aim of “sustainability”-oriented policies should be to avoid shifting unfair burdens to future generations and to produce policy results that imply a preservation of or improvement in the quality of life for present and future generations. Given the above-outlined future challenges and global megatrends, it is necessary to ensure the long-term feasibility of economic, sociopolitical, and environmental systems. These substantive, results-oriented aims are strongly influenced by the ideas of sustainability and quality of life (for additional details, see the contribution by Rüb and Ulbricht in this volume).
- The more process-oriented dimension of political steering, by contrast, addresses the issue of the state’s actual reform capability and ability to act—that is, the question of whether the quality of a state’s political leadership allows it to identify pressing problems, formulate a range of strategic solutions, and thus advance sustainable policy outcomes. Political steering includes not only the activity of (core) executives, but also their interactions with other institutions and social actors in the various phases of the policy cycle (for more details, see the contribution by Jann and Seyfried in this volume).

These two basic dimensions form the foundation for the SGI’s systematic, indicator-based comparison of OECD countries. More than 80 international experts took part in this large-scale study, which appears now for the second time. On the basis of nearly 150 qualitative and quantitative indicators, SGI experts create a detailed profile of each country’s strengths and weaknesses, in the process advancing the debate on “good governance” and sustainable policy in the OECD world. In doing so, the SGI project follows the explicit mandate of the Bertelsmann Stiftung’s founder, Reinhard Mohn: to identify successful examples (“good practices”) by means of systematic (international) comparison, and to learn from these while keeping each specific national context in mind.

Standing behind this is the project’s guiding goal of generating important context-based knowledge grounded in evidence-based analysis for policymakers, the media, interested citizens, and the broader scholarly community.

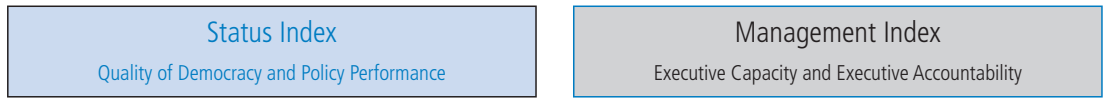
Our approach

How exactly do we proceed with measuring sustainable governance? How is the conceptual design of the project’s instruments carried out?

In line with the two basic dimensions described above, the SGI perform the assessment of sustainable governance through a division into two pillars—a Status Index and a Management Index. The Status Index answers the following questions:

- How successful are OECD countries in achieving sustainable policy outcomes?
- How high is the quality of each country’s democratic order?

The Status Index corresponds to the first of the above-outlined analytic dimensions in assessing sustainability. It addresses important ideas central to current international discussions on

Figure 1: The two pillars of the SGI

measuring sustainability, societal progress, and quality of life (cf. Stiglitz, Sen, and Fitoussi 2009). Thus, in the Status Index, readers will not only find purely economic metrics providing information about each society's economic growth and material prosperity. In fact, the Status Index also includes indicators that explore the success of OECD states in various fields of political activity critical to sustaining the long-term feasibility and elasticity of economic, socio-political, and environmental systems, as well as to maintaining a high degree of social participation. Consequently, this includes areas such as education, employment, health, integration, innovation, and the environment.

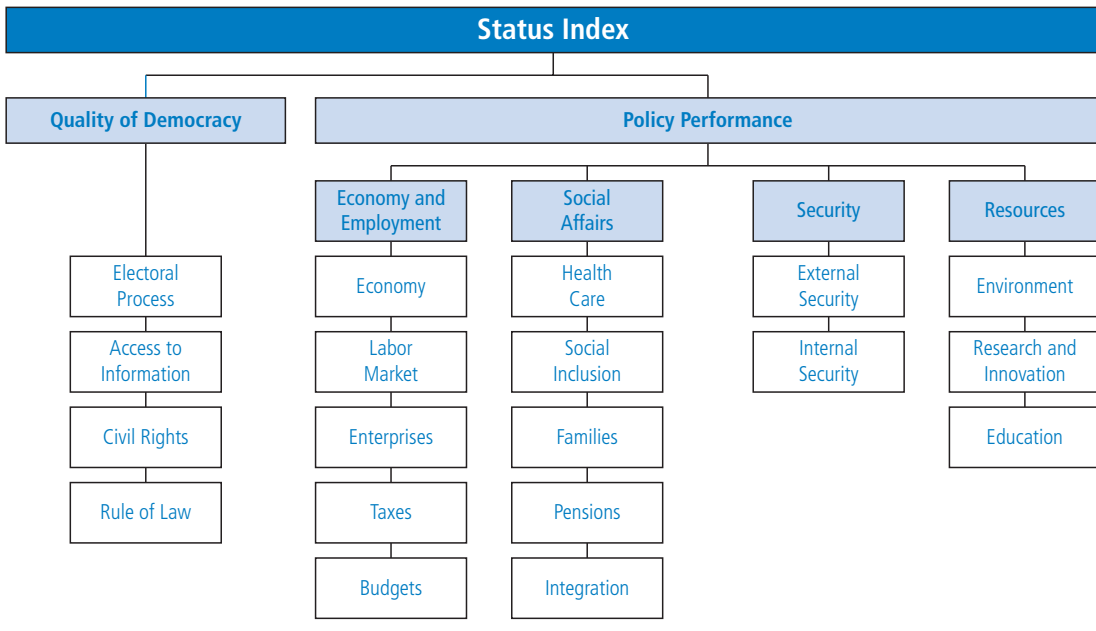
In addition to such traditional policy areas, the SGI's Status Index also examines the quality of democracy and the rule of law using a variety of individual indicators as a basis. Why is this done? From the perspective of long-term system stability and political performance, the quality of democracy and political participation are crucial aspects of a society's success. The stability and performance of a political system depends in large part upon the assent and confidence of its citizens. In this sense, guaranteeing opportunities for democratic participation and oversight, as well as the presence of due process and respect for civil rights, are fundamental prerequisites for the legitimacy of a political system. Democratic participation and oversight are also essential to genuine learning and adaptation processes as well as to the ability to change. In their assessment of the quality of democratic-constitutional systems under the rule of law, the SGI consider sustainability—in the sense of long-term system stability—to be a desirable goal.

It is thus a core tenet of the SGI that sustainable policy-making must give democratic considerations a weight equal to that of social, economic, and environmental considerations. In order to do this multidimensionality justice, the Status Index is divided into the components shown in Figure 2. In the contribution by Friedbert W. Rüb and Tom Ulbricht in this volume, these components are addressed in greater detail and embedded in a nuanced manner into a larger conceptual context.

As outlined above, a comprehensive assessment of the OECD countries' future viability cannot limit itself to measuring policy outcomes and the quality of the democratic order. Rather, the ability of political actors to successfully steer the course of policy must also be taken into account. The SGI accomplish this through the Management Index, which reflects the second analytic dimension, or cornerstone, of sustainability described above. The driving question behind the Management Index is as follows: In each of the OECD states surveyed, how effective is strategic steering capability within the context of the interactions between government and social actors?

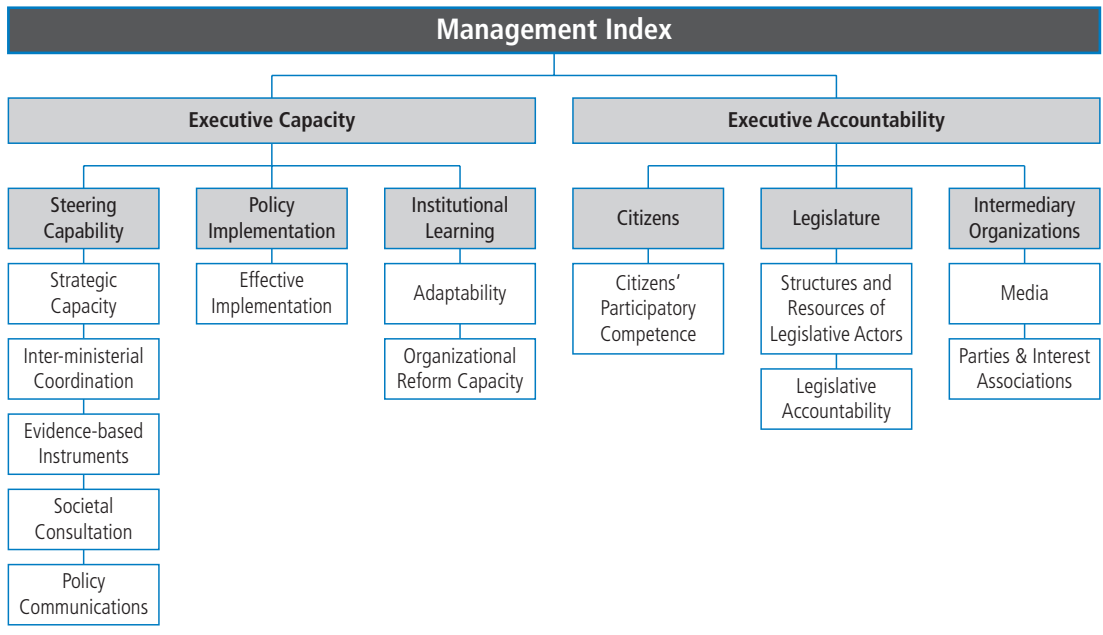
In answering this question, the SGI's Management Index looks to a wide and innovative set of indicators. These indicators enable a nuanced assessment of the extent to which OECD governments—in cooperation with other institutions and social groups in the context of dem-

Figure 2: Status Index architecture



ocratic decision-making processes—are able to identify pressing future problems, develop finely tuned political solutions, and subsequently implement them effectively and efficiently. Drawing on a broad understanding of “governance,” the Management Index first concentrates on the performance of the executive in the narrow sense of the word, analyzing aspects such as strategic planning, policy implementation, communication, and institutional learning. These aspects are measured in the “Executive Capacity” dimension.

Second is the assessment of how well the government steers policy-making, which also addresses the question of how the government and social actors (i.e., actors and groups outside the executive itself) cooperate and interact. Here the focus is, on one hand, the accountability of government to citizens, legislatures, the media, political parties, and interest groups—all actors that (can) perform important oversight functions. On the other hand, it is an examination of the essential deliberation processes that broaden the knowledge base necessary for strategic, effective leadership. These deliberation processes take place through a well-targeted policy of including and activating social actors in policy formulation and implementation, and they are considered an integral component of effective political steering. In this context, individual indicators examine, for example, whether governments consult relevant interest groups early in the legislative planning process, or whether interest associations, citizens, and parliaments possess sufficient participatory competence (e.g., policy knowledge, resource levels, etc.) to wield influence within the political process. In short, this part of the Management Index focuses on fundamental oversight and participation processes that can help improve a government’s strategic steering capability. These aspects of governance are measured in the “Executive Accountability” dimension.

Figure 3: Management Index architecture

The Management Index as a whole is comprised of the components shown below, which are the subject of scholarly reflection in the contribution by Werner Jann and Markus Seyfried in this volume.

As in the case of the Status Index, Figure 3 gives only an overview of the Management Index. The categories and criteria comprising the Management Index are based on combined quantitative and qualitative indicators.

These considerations explain why the Sustainable Governance Indicators look at both sides of the “sustainability” coin. On the one hand, the Sustainable Governance Indicators measure the need for reform with a view to sustainable policy outcomes and democratic quality—an assessment made in the Status Index. On the other hand, the indicators measure OECD states’ reform capacity in the sense of steering capability as manifested through governments and civil society actors—an assessment made in the Management Index. With this approach, the SGI project goes farther than existing international rankings in two respects: First, the project considers OECD countries’ need for reform not only from an economic perspective, but also with an awareness of themes such as education, the environment, social affairs, and security. Second, other indices have to date only rarely considered the aspect of reform capacity. Indeed, no other ranking worldwide offers such a depth and breadth of focus. With an eye to its innovative approach, the OECD recently named the SGI project an official “correspondent” in the “Global Project on Measuring the Progress of Societies” (www.wikiprogress.org). The OECD’s Global Project is the main international framework for the global “Beyond GDP” debate concerning sustainable economies, social participation, and quality of life.

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The Status Index: Sustainable Governance and Policy Performance

Friedbert W. Rüb, Tom Ulbricht

Introduction

The OECD states are currently facing immense challenges. Democracies are under growing pressure to adapt to economic globalization, migration, environmental and climate change, as well as to a range of social, demographic, and cultural shifts. Ensuring ongoing social stability will require substantive and procedural flexibility in the political sphere (see Brodocz, Schaal, and Llanque 2008).

The Sustainable Governance Indicators (SGI) project aims to identify the structural and procedural challenges confronting the OECD states, to comparatively evaluate their reform mechanisms, and to use this information to assess the sustainability of these democracies. Achieving intelligent and workable political solutions to current challenges will require a careful and thorough assessment of the main constituent factors; as Robert Solow has noted, “talk without measurement is cheap” (1993, 163). By assessing the sustainability of governance and providing comparative data for the OECD states, the SGI survey makes an important contribution to the assessment of how well-prepared these societies are for the future.

As the introduction to this volume by Schraad-Tischler and Azahaf suggests, and in reference to Max Weber’s ethics of responsibility (1992, 70), “sustainability” implies that political steering, institutional and regulatory environments, political instruments, and the outcome of political action take the long-term future into account. Sustainable governance comprises both structural and procedural feasibility of government activity, and it demands of political actors that they do more than simply avoid shifting excessive burdens to future generations. Rather, it requires that economic, political, social, and ecological systems be capable of effectively delivering sound performance in the long term. To evaluate these factors, the SGI survey incorporates both procedural (see the contribution by Jann and Seyfried in this volume) and substantive political goals into its assessment of sustainability.

This chapter outlines the dimensions and categories of substantive sustainability in the SGI. We first sketch the history of the concept of sustainability from its origins in environmentalism to its contemporary broader applicability. Next, we situate the SGI within current debates on measures of well-being and social progress and examine how these theoretical

considerations influence the structure of the SGI. Finally, we analyze the implications of these debates on the first of the two key pillars of the SGI—the Status Index—beginning first with the question of democratic structure and its constitutive elements, and concluding with an examination of policy-specific performance in the spheres of economy, social affairs, security, and resources.

The SGI are based on a multifaceted concept of the sustainability of democratic societies. Using a common framework of analysis, they assess performance within four systematically defined dimensions: Quality of Democracy; Policy Performance in the areas of the economy, social affairs, security, and resources; Executive Capacity, including the procedural efficiency of core executive decision-making; and Executive Accountability, or the performance of democratic decision-making processes. One of the innovative features of the SGI's Status Index is that it includes both traditional measures of political performance as well as measures of the structural quality of democracy. Within the conceptual framework of the SGI, the quality of democratic institutions is considered a fundamental dimension of performance that can be affected by incremental behavioral change of the administration as well as by legislative acts that change the institutional setting itself.

The concept of sustainability in the SGI

To understand the meaning of the concept, we must begin with its origins and development. Beginning in the late 18th century, the adjective “sustainable” came into use in forestry to describe an ongoing effect (Faltlhauser 2002, 7). Sustainability thus referred to the protection of “something [to] be conserved for the long run” (Solow 1993, 167). By the late 1960s, the concept of sustainability began to appear in scholarly discourse, initially with a narrow meaning restricted largely to environmental issues: “The concept was coined explicitly to suggest that it was possible to achieve economic growth and industrialization without environmental damage” (Adams 2006, 1). The concept was gradually adopted in the field of development policy, where it took on a broader and more nuanced meaning. In the Brundtland report, development is “sustainable” when it “meets the needs of the present without compromising the ability of future generations to meet their own needs” (Brundtland 1987, 43). Later, the concept of sustainable development was expanded beyond its initial focus on the conservation of natural resources to include both economic (Hess 2007) and social issues (Plater 2006; Montiel 2009). These various factors were soon understood as interconnected: “Environmental aspects should be seen as equal in importance to social and economic aspects ... Sustainable economic behavior means we must leave our children and grandchildren an intact ecological, social, and economic structure. Each of these depends upon the others” (Rat für Nachhaltige Entwicklung 2009).

However, merely recognizing the existence of environmental, social, and economic aspects of sustainability fails to capture the complex and dynamic relationship between them (Adams 2006). Instead, the concept of sustainability must be understood within a broader and embedded context (Grunwald and Kopfmüller 2006, 52 f.). Although space does not permit a reconstruction of this debate (see Petschow 2005; Munier 2006; Söderbaum 2008), the eco-

nomic, social, and environmental dimensions of sustainability are widely acknowledged, even as the current debate has increasingly focused on the “complex dynamics that arise from interactions between human and environmental systems” (Clark 2007, 1737). This integrative approach to sustainability is said to make “governance more economically efficient, more socially productive, and more environmentally protective” (Dernbach 1998, 1).¹ To fully appreciate the complex interdependence of the constituent elements of sustainability, we must examine how its agents, processes, and structures work to balance conflicting goals in order to achieve concrete political results (Benz 2007; see the contribution by Jann and Seyfried in this volume).

This integrated understanding of sustainability is likewise pivotal to recent debates on the development of improved measures to assess social progress (Stiglitz, Sen, and Fitoussi 2009; Afsa et al. 2008). The 1992 UN summit in Rio de Janeiro called for the development of new economic, social, and environmental indicators that would take sustainable development into account (United Nations 1992).² In 2007, the signatories to the Istanbul Declaration demanded “high-quality, facts-based information that can be used by all of society to form a shared view of societal well-being and its evolution over time” (Istanbul Declaration 2007, 1).³ Similarly, the final Stiglitz Commission report cited “quality of life” as a key measure alongside traditional economic and environmental ones (Stiglitz, Sen, and Fitoussi 2009, 41 ff., 143 ff.). A similar research agenda undergirds the efforts of the European Union (Eurostat 2007; European Environmental Agency 2009) and the OECD (Boarini, Johansson, and Mira d’Ercole 2006; OECD 2007; Matthews 2006) to develop a set of indicators to measure social progress.⁴ Although gross domestic product and per-capita income are important measures of socioeconomic development, they are limited in what they can tell us. Purely economic indicators ignore non-market issues of distribution and other fundamental physical and emotional aspects of human welfare (Afsa et al. 2008, 1). As Sen has noted: “Wealth is not something we value for its own sake” (2009, 253).

The complex debates of sustainability and the issues raised in the Beyond-GDP debate have been incorporated into the SGI project. The Sustainable Governance Indicators therefore include measures for the key areas identified in the international debate as well as measures for key structural and procedural elements of sustainability, including the quality of democratic structures and modes of social participation (see the contribution by Jann and Seyfried in this volume).⁵

1 The ethical dimension of sustainability has taken on increased importance in development research in recent years (Becker 2010).

2 At the summit, the signatory states agreed to the development of national sustainability strategies (see German Federal Press Office 2008).

3 The Istanbul Declaration was signed during the OECD’s Second World Forum for Statistics, Knowledge and Politics on 30 June 2007. The signatories included the European Commission, the OECD, the UN, UNDP, UNICEF, UNESCO, and the World Bank (see Istanbul Declaration 2007).

4 See, for example, the OECD “Global Project on Measuring the Progress of Societies” and the European contributions to the Beyond-GDP debate in the “Europe 2020” strategy and in the “Agenda 2020” adopted by the governments of Germany and France. For a discussion of the theoretical foundations of this project, see Sen 2002, 2009; Nussbaum 1999.

5 Education, health, social inclusion, family policy, integration, research and development, the environment, economic performance, and employment (see Stiglitz, Sen, and Fitoussi 2009).

Operationalizing sustainable governance

The SGI survey is grounded in the assumption that the purpose of governance is to improve the state of society, that is, to promote the common good and social progress by means of sustainable policies. Since the 1970s, the explicit configuration of this genuinely normative premise has provoked animated discussion among political theorists (see Rawls 1971, 2003; Walzer 1992; Sen 2009). For political decision-makers, the “renaissance of the common good” (Offe 2002, 55) has meant that policies are now also judged according to their sustainability. Since government must perform many tasks, the legislative process has to prioritize the needs and material requirements of the population—both present and future—and allocate limited resources accordingly (see Rawls 2003, 267).⁶

Decisions about investment, consumption, conservation, and exploitation are not made by generations, but by households, companies, and—most pertinently for our purposes—governments. The SGI survey assesses this governmental action in order to identify the characteristics and goals of sustainable governance that ensures society’s progress.⁷ However, before we can consider how sustainability is to be achieved, we must first define it.

According to Munck and Verkuilen (2002), translating a notion like sustainable governance into an empirically usable form requires a process of conceptualization, measurement, and aggregation. In the conceptualization phase, the characteristics of sustainable governance were identified and assigned to horizontally and vertically organized categories and criteria, respectively. In the measurement phase, the characteristics of sustainable governance were converted into concrete and measurable variables. The selection of suitable indicators was accompanied by the selection of an ordinal measurement scale. In the third phase, the data was aggregated and documented. This article focuses particularly on the conceptualization of the SGI Status Index and its delineation within a series of indicators that play a role in sustainable governance and its implementation.⁸

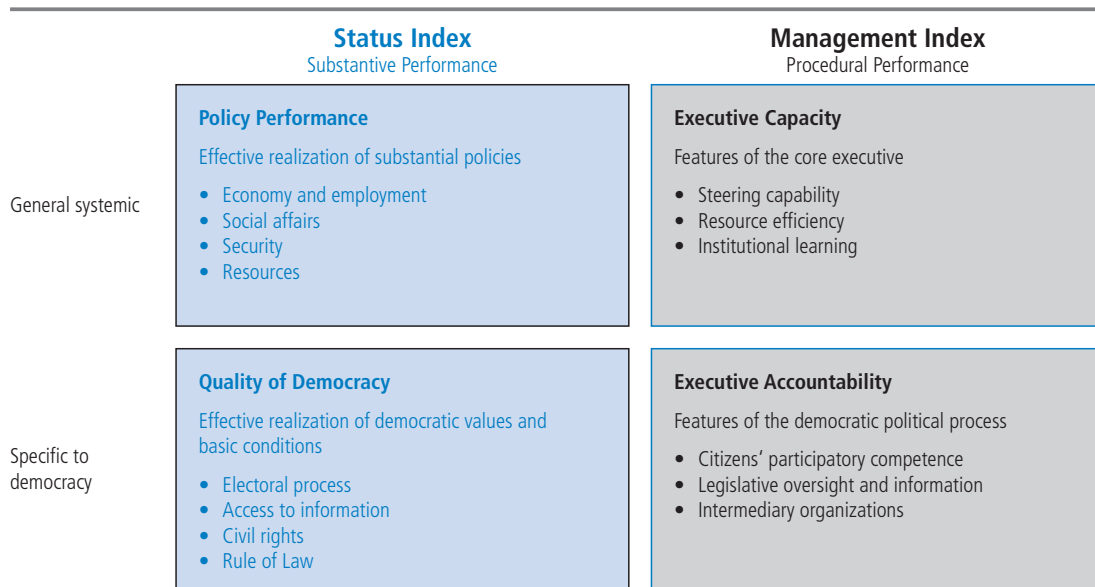
The SGI measure performance in terms of structural and procedural sustainability. Performance—understood as “the execution and accomplishment of work and also ... the manner and effectiveness with which something fulfills an intended task” (Roller 2005, 20)—entails more than merely “achieving material political goals as the solution to problems” (Korte 2008, 59). Rather, performance in terms of sustainability also includes the efficient use of resources as well as effective political and administrative coordination. In the scholarly literature, performance is evaluated using two criteria: first, whether substantive or procedural goals are met (Fuchs 1998, 166; Roller 2005); and, second, whether genuinely systemic or specific democratic requirements are addressed (see Fuchs 1998). In combination, these two criteria can be used to map the SGI dimensions typologically into four fields, as outlined in Figure 1.

6 This includes, for example, the effort to ensure a productive workforce; investment in education health, families, and the elderly; savings and capital consumption; foreign policy, etc.

7 In the words of Robert Solow, the certain “something” that we aim to sustain (Solow 1993, 167).

8 For a closer analysis of the Management Index, we direct the reader to the essay by Werner Jann and Markus Seyfried in this volume. Technical issues related to measurement, scaling, and data aggregation are explored in the article by Martin Brusic and Jörg Siegmund.

Figure 1: Typology of SGI performance criteria



Source: based on Roller 2005, 24; adapted to include SGI elements

The latter criterion, in particular, requires brief illustration. As members of the OECD, all governments of the surveyed states pledge themselves to promoting a free market economy and democratic order (see OECD 2010b, 4); all share the defining ideal of liberal democracy. In this context, it is useful to distinguish between general systemic and specific democratic performance criteria. General systemic performance criteria include the basic demands made on *all* political systems—whether autocratic or democratic. This sphere encompasses factors relating to the effective implementation of substantive policies as well as those relating to a well-organized core executive with an efficient administrative process. By contrast, specific democratic performance criteria are relevant only to democracies. States that ground their legitimacy on the sovereignty of the people are thus judged according to their democratic performance, particularly the involvement of social actors in the political process and the effective implementation of core democratic values and the rule of law, as well as an environment conducive to both (Fuchs and Roller 2008, 80).

If we consider only the policy-specific criteria in the Status Index, then sustainable governance is also possible in non-democratic states (see, for example, the debate on modernizing or capitalist autocracies in Merkel 2010). However, within the given country sample, the “principles of an open and democratic society and the involvement of citizens” (Eurostat 2007, 271) cannot be substituted for by authorities seeking greater efficiency in promoting the individual interests of citizens. In the surveyed democratic systems, political decisions are based, directly or indirectly, on the (majority) will of the people. If the principle of rule of the people and *by* the people is compromised, the foundation of rational-legal authority (Weber 1972, 124) in these societies—and, by extension, their sustainability—is undermined (Kraus

2004, 558).⁹ Since our study includes only democratic states, we must assess both general systemic and specific democratic factors.

Policy Performance, on the other hand, refers to the systemic and substantive performance of political regimes in the areas measured by the four SGI categories (Economy and Employment, Social Affairs, Security, and Resources). The element of sustainability has become essential to any scholarly or practical assessment of substantive policy. The “output” of political decision-making (rule *for* the people) conveys legitimacy via the welfare advances achieved within the respective policy fields, which in turn supports system stability over the long term (on input/output legitimation, see Scharpf 2004; Lipset 1959; Majone 2005, 33, 36; Schäfer 2006, 192).

Democratic quality and the political decisions reached within a democracy can be described in terms of their reciprocal effects. Effective government action requires a stable democratic order: “[D]emocracy is not a sufficient condition for QoG [Quality of Government], [but] it may well be a necessary one, as it serves to set certain limits on the types of policies” (Rothstein and Teorell 2008, 180). However, this causality goes in both directions. Democratic institutions can be harmed by the actions of decision-makers (Lauth 2004, 137). Elected governments can become more exclusionary, and civil rights can be restricted, even denied (see Bühlmann et al. 2008, 117). Institutional reforms can also affect the quality of democratic processes, as can laws guaranteeing the media independence or combating corruption. This is because “constitutional reality”—meaning social conditions and the actual behavior of relevant actors—can differ radically from the rights and duties formally defined under the constitution. Rule of law is therefore not simply a constitutional matter but, rather, is something that must be enforced by administrative institutions and the judiciary.

In this model, democratic performance becomes a “quasi-policy field” whose structure, effectiveness, and adaptability can be measured by means of indicators (Fuchs 1998, 152 f.). Ensuring higher democratic standards enhances legitimacy and citizen support, which helps democratic political systems cope with emerging challenges (Lipset 1994; Westle 2007, 107) and better serve their societies. Moreover, these structural aspects of democratic rule enable civil society’s participation and monitoring as well as institutional learning and adaptation, all of which are essential to the capacity for reform. For the SGI, quality of democracy is thus a key element of sustainability—in the sense of system stability over the long term—as well as an important political goal. Incorporating the idea of sustainability into quality of democracy is a move toward the development of a “novel governance paradigm dealing with long-term social change” (Loorbach 2007, 2). In addition to criteria relating to social, economic, and environmental issues, sustainable policy-making must take democratic quality into account (see Papadakis 2006).

In sum, the SGI survey is based on a multidimensional performance concept that assesses both the achievement of substantive political goals as well as the efficiency of the processes and

⁹ Material policies also depend on the “informed support of citizens” (Offe 2002, 59). The state can establish a framework through anti-discrimination, health, and family policies. But the capacity to engage with other cultures and ethnicities with respect, the ability to prevent disease through good nutrition, and the capacity to provide nurture to children must be put into action by individual citizens. Sustainable governance thus always includes measures to support and promote civic action.

procedures by which these goals are achieved. The SGI Status Index measures these elements of performance, dividing them into Quality of Democracy and Policy Performance spheres. Jann and Seyfried describe the dimensions of the SGI's Management Index, which relate to the features of procedural performance in Figure 1, elsewhere in this volume. In what follows, we analyze the two remaining target dimensions of the SGI as outlined in the figure above, beginning first with Quality of Democracy, and concluding with Policy Performance.

The SGI Status Index

The SGI's Status Index has undergone some modifications since it was first published two years ago (Bertelsmann Stiftung 2009). In the area of Policy Performance, a number of the factors were shifted to other categories—Integration (S14), for example, is now listed under Social Affairs. Status of Democracy was renamed Quality of Democracy, which is the term more commonly used in scholarly discourse (see Schmidt 2008, 388; Bühlmann et al. 2008).¹⁰ The Democracy dimension also includes a new survey question addressing Political Liberties (S3.2) and two new qualitative indicators (S1.4 Party Financing, S4.3 Appointment of Justices), which aim to illuminate subtle differences in electoral, informational, and legal standards in the surveyed countries.

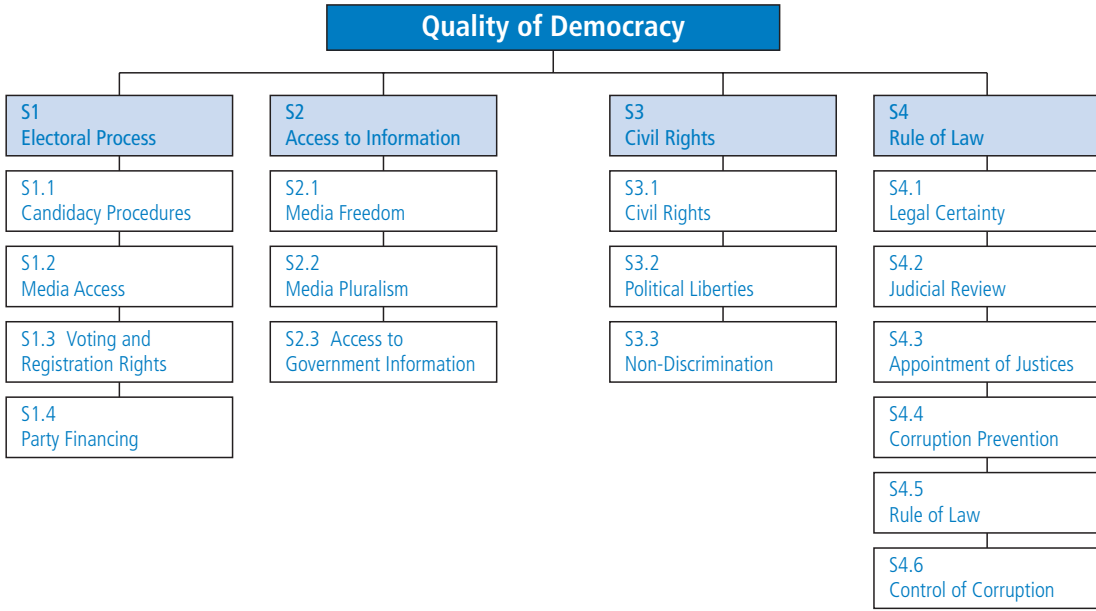
Quality of Democracy

In the SGI, Quality of Democracy refers to the institutional implementation of fundamental democratic values and the ongoing adaptation of democratic infrastructure to changing social contexts and new participatory demands. The normative point of reference for Quality of Democracy is the model of liberal representative democracy (Beetham 1994; Morlino 2004; Fuchs and Roller 2008).

Quality of Democracy is essential to long-term system stability. According to the theory of “diffuse system support” (Easton 1965, 267 ff.), the long-term stability of democratic societies depends on more than the level of public satisfaction with day-to-day decisions within specific policy fields. System support that is based on material output is highly dependent on volatile performance outcomes and individual perceptions of advantage and disadvantage; for this reason, material output can generate support over the short term, but it is ill-suited to maintaining the long-term sustainability of democratic systems (Westle 2007, 107). Functional sustainability requires that citizens, as the subjects of government action, identify with the political community (Fuchs 1998, 18) and its institutional norms: “Genuine democracy is not a machine that, once set up, functions by itself. It depends on the people” (Inglehart and Welzel 2005, 2).

10 See, for example, the democracy barometer proposed by Bühlmann et al. 2008; the New Index of Democracy (NID) developed by Lauth 2006; the somewhat older Polity Index by Jagers and Gurr 1995; the Vanhanen Index (Vanhanen 1990). The Democratic Audit (Beetham 1994) is a further example, although its main purpose is to distinguish between autocracies and democracies rather than measure quality as such.

Figure 2: Quality of Democracy



Quality of Democracy is implicitly grounded in Robert Dahl’s concept of polyarchy (Dahl 1971; 2000), which focuses on the twin preconditions of political competition and inclusive participation. In addition, Quality of Democracy measures the constitutive features of liberal democracy, rule of law (see Croissant and Thiery 2000), citizens’ rights and political liberties (see Freedom House 2010). A narrower measure of Quality of Democracy that would assess only electoral participation and competition (see Vanhanen 1990) would fail to capture subtle qualitative differences among (established) democracies (Müller and Pickel 2007, 520 ff.). By the same token, indicators that are overly broad would overestimate democratic quality and stability (ibid., 511) and fail to capture variations in quality over time. Thus, in order to balance accuracy with the economy of measurement, the SGI survey incorporates the most important criteria of democracy identified in the scholarly debate, including fourteen qualitative and two quantitative indicators.

1. *The electoral process*

According to the scholarly research on democracy, a government’s accountability to the people, institutionalized through regular and periodic elections, is deemed to be the consensual core of democratic systems (Kaiser and Seils 2005, 135). In post-industrial societies, participation is institutionalized, and individual political autonomy is expressed through elections that are free, fair, equal, general, and secret (Inglehart and Welzel 2005, 3). “Electoral democracy” is the basic, irreducible foundation of any government that derives its legitimacy from the sovereignty of the people (see Sen 2000). A fair candidacy process (S1.1 Candidacy Proce-