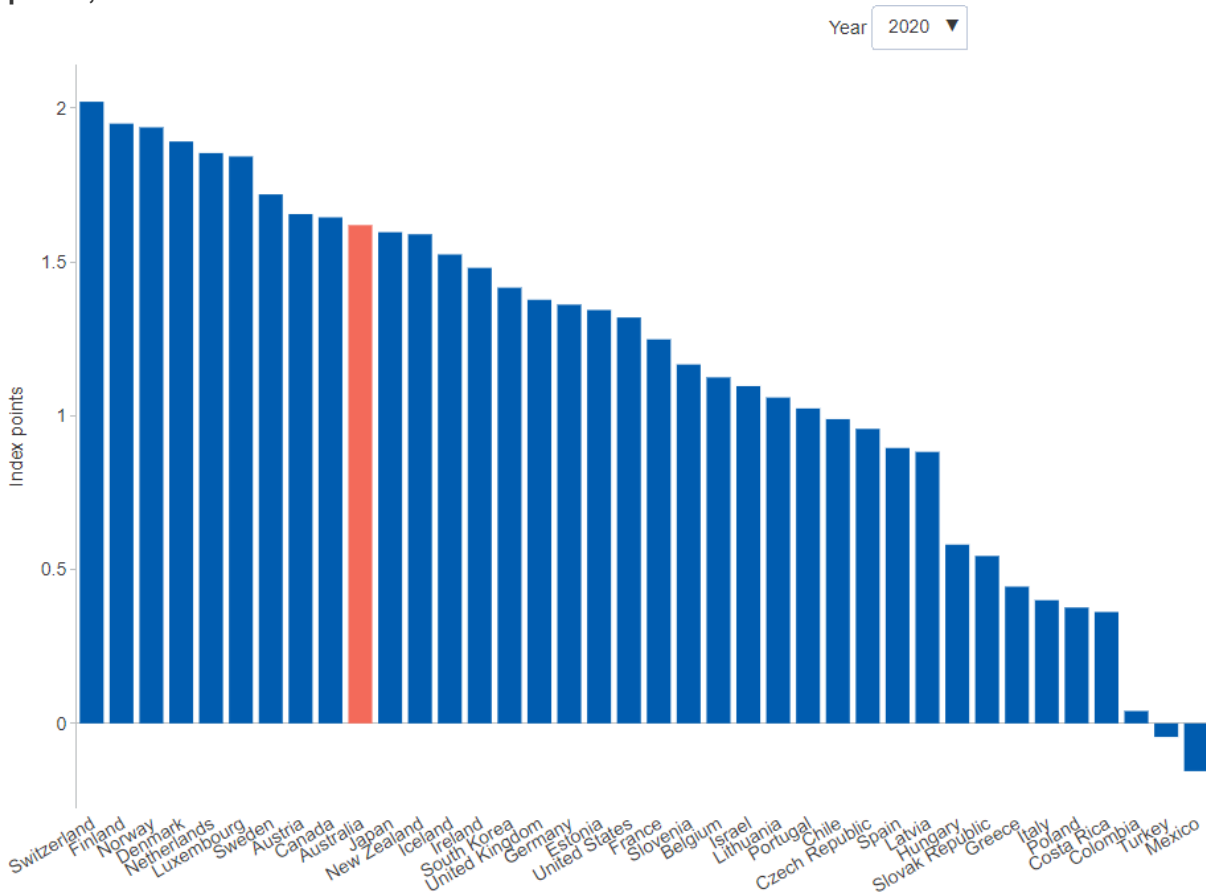


### 5.4.5 Government effectiveness

The degree of trust in government can be an important determinant of general polity effectiveness. Low levels of trust can reduce compliance with laws and regulations, diminish investor confidence, and increase risk aversion.<sup>1</sup> The World Bank measures the capacity of governments to effectively formulate and implement sound policies in its report on World Government Indicators. This captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.<sup>2</sup> The World Bank data suggests that *Australia* ranks 10th among the OECD countries on government effectiveness among OECD members - on par with Canada (9th) and New Zealand (12th) and ahead of the United Kingdom (16th) and the United States (19th). *Australia's* performance on this measure peaked in 2004. This result would suggest that Australia's innovation environment could be supported by a greater focus on increasing government effectiveness.<sup>3</sup>

**Figure: Worldwide governance indicators, government effectiveness, OECD countries, index points, latest 2020**



<sup>1</sup> OECD (2015) *The Innovation Imperative: Contributing to Productivity, Growth and Well-Being*, OECD Publishing ([https://www.oecd-ilibrary.org/science-and-technology/the-innovation-imperative\\_9789264239814-en](https://www.oecd-ilibrary.org/science-and-technology/the-innovation-imperative_9789264239814-en))

<sup>2</sup> World Bank (2010) *The Worldwide Governance Indicators Methodology and Analytical Issues*, World Bank Policy Research Working Paper No. 5430 ([https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1682130](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1682130))

<sup>3</sup> World Bank, *Worldwide Governance Indicators* (<https://info.worldbank.org/governance/wgi/>)