

# **New Empirical Frontiers in Measuring and Evaluating Governance:**

## **Illustrations and Issues for Discussion**

Profiles in Democracy and Governance

Daniel Kaufmann and Francesca Recanatini

The Carter Center, Oct. 30<sup>th</sup>, 2001

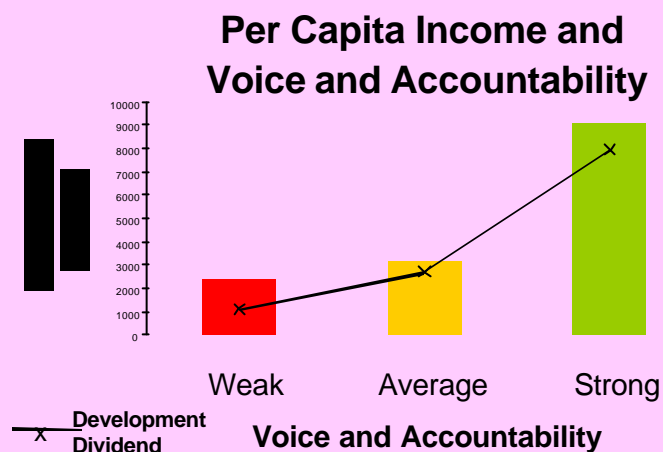
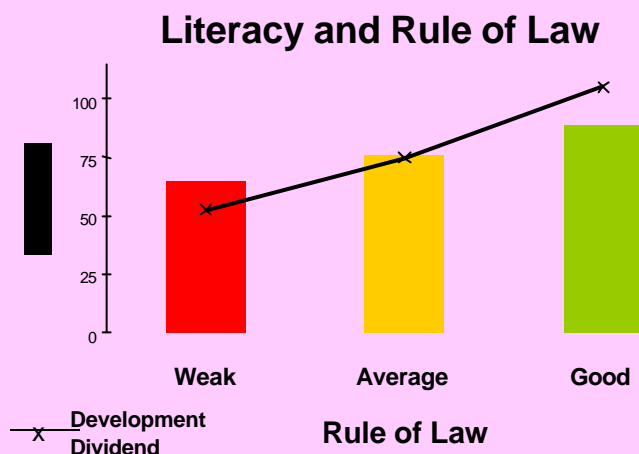
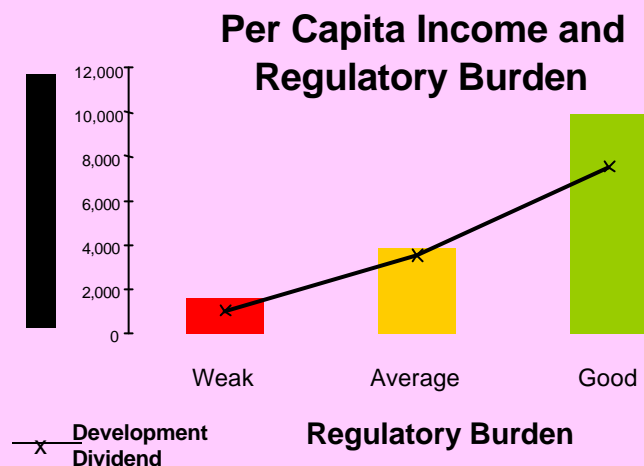
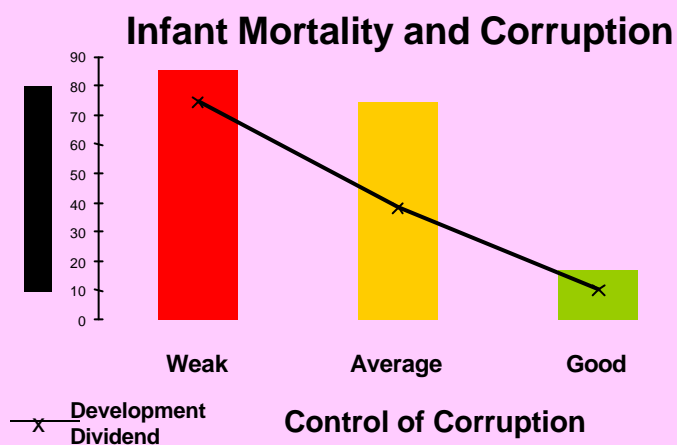
[www.worldbank.org/wbi/governance](http://www.worldbank.org/wbi/governance)

# **What is Governance?:**

## ***A working definition for public governance***

- ***Governance is the process and institutions by which authority in a country is exercised:***
  - (1) the process by which governments are selected, held accountable, monitored, and replaced;**
  - (2) the capacity of governments to manage resources efficiently, and to formulate, implement, and enforce sound policies and regulations; and,**
  - (3) the respect for the institutions that govern economic and social interactions among them**

# The 'Dividend' of Good Governance



**Note:** The bars depict the simple correlation between good governance and development outcomes. The line depicts the predicted value when taking into account the causality effects ("Development Dividend") from improved governance to better development outcomes. For data and methodological details visit <http://www.worldbank.org/wbi/governance>.

# Diagnostic Tools

## Key Questions

- Why is it necessary to measure governance and corruption?
- Which empirical tools we can use? What kind of surveys and diagnostics?
- Which methodological requirements?
- How can we use this empirical information?

# **Operationalizing Governance:**

*Unbundling its Definition into Components that can be measured, analyzed, and worked on*

*Each of the 3 main components of Governance*

*Definition is unbundled into 2 subcomponents:*

- **Voice and Accountability**
- **Political Stability and lack of Violence**
- **Quality Regulatory Framework**
- **Government Effectiveness**
- **Control of Corruption**
- **Rule of Law**

# How can we measure each of the Governance components?

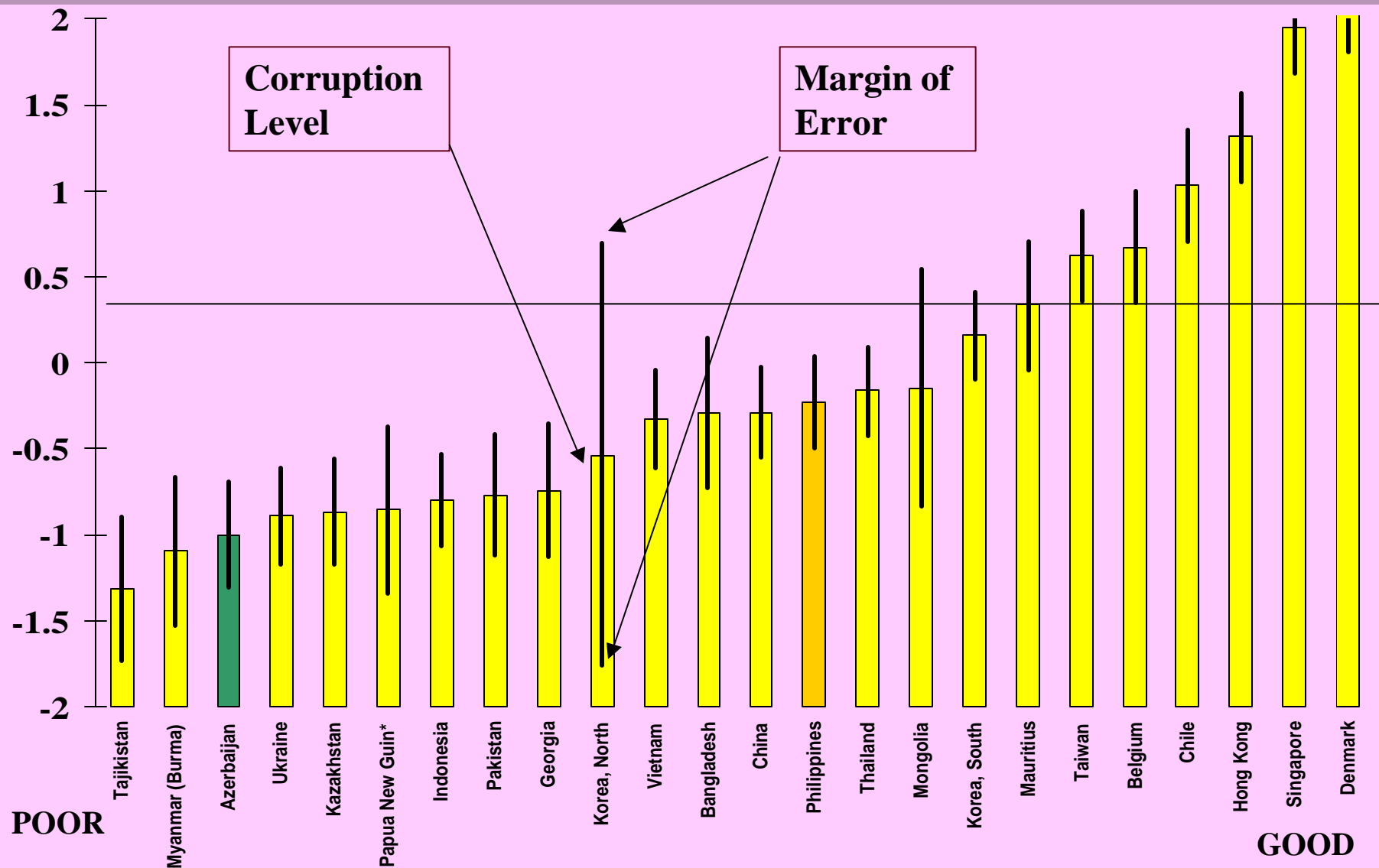
- Using existing databases and sources through aggregation and clustering
  - Cross country aggregate indicators: for ex. Kray, Kaufmann and Zoido (1999)
- Gathering new detailed information through surveys and diagnostics
  - In-depth analysis of the institutional vulnerabilities of a country

# Main Features of the Aggregate Governance Indicators

- *Coverage*: 155 countries for 1997-98 (2001 forthcoming)
- Compiled using *14 separate sources* and more than 300 indicators
- Techniques and coverage used by each source are *different* (for ex. polls, surveys, expert ratings, etc.)
- Clustered into *6 broad categories* of governance

# Control of Corruption: Aggregate Indicator

*(selected countries from 155 worldwide, for illustration, based on 1998 research data\*)*



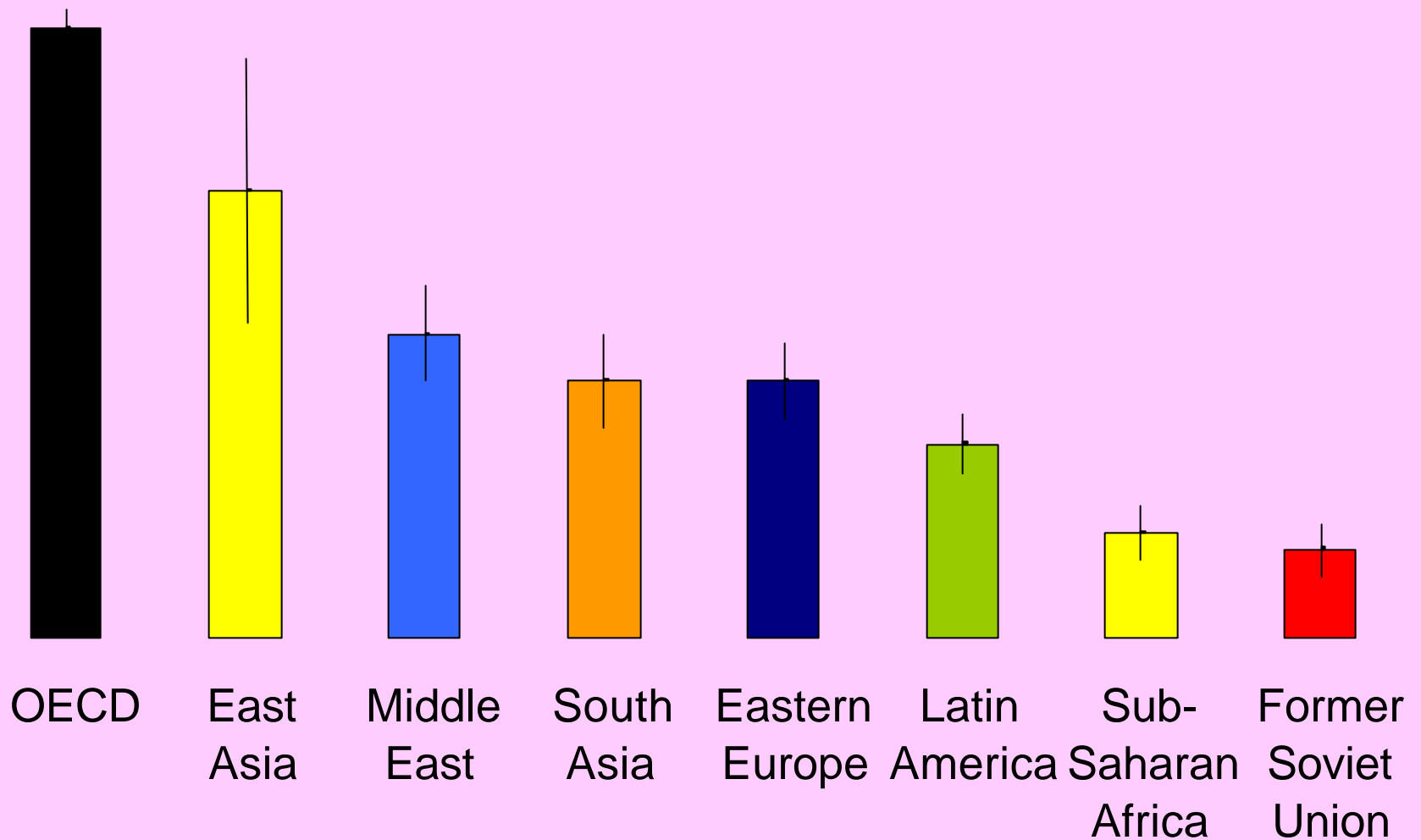
Source: 'Governance Matters', PRWP 2196 by Kaufmann, Kraay and Zoido. <http://www.worldbank.org/wbi/governance/>

# Application of Rule of Law Varies by Region

(based on aggregation of surveys/polls 1997-99\*)

**High**  
Index  
of Rule  
of Law  
Appli-  
cation

**Low**  
Index



Note: Regional Averages shown for discussion purposes, and hide large intra-regional variation in each case. Thin vertical line reflects estimated margin of error. Source: Kaufmann, Kraay and Zoido-Lobaton (1999). "Aggregating Governance Indicators" and "Governance Matters" PWRP 2195 and 2196. <http://www.worldbank.org/wbi/governance>

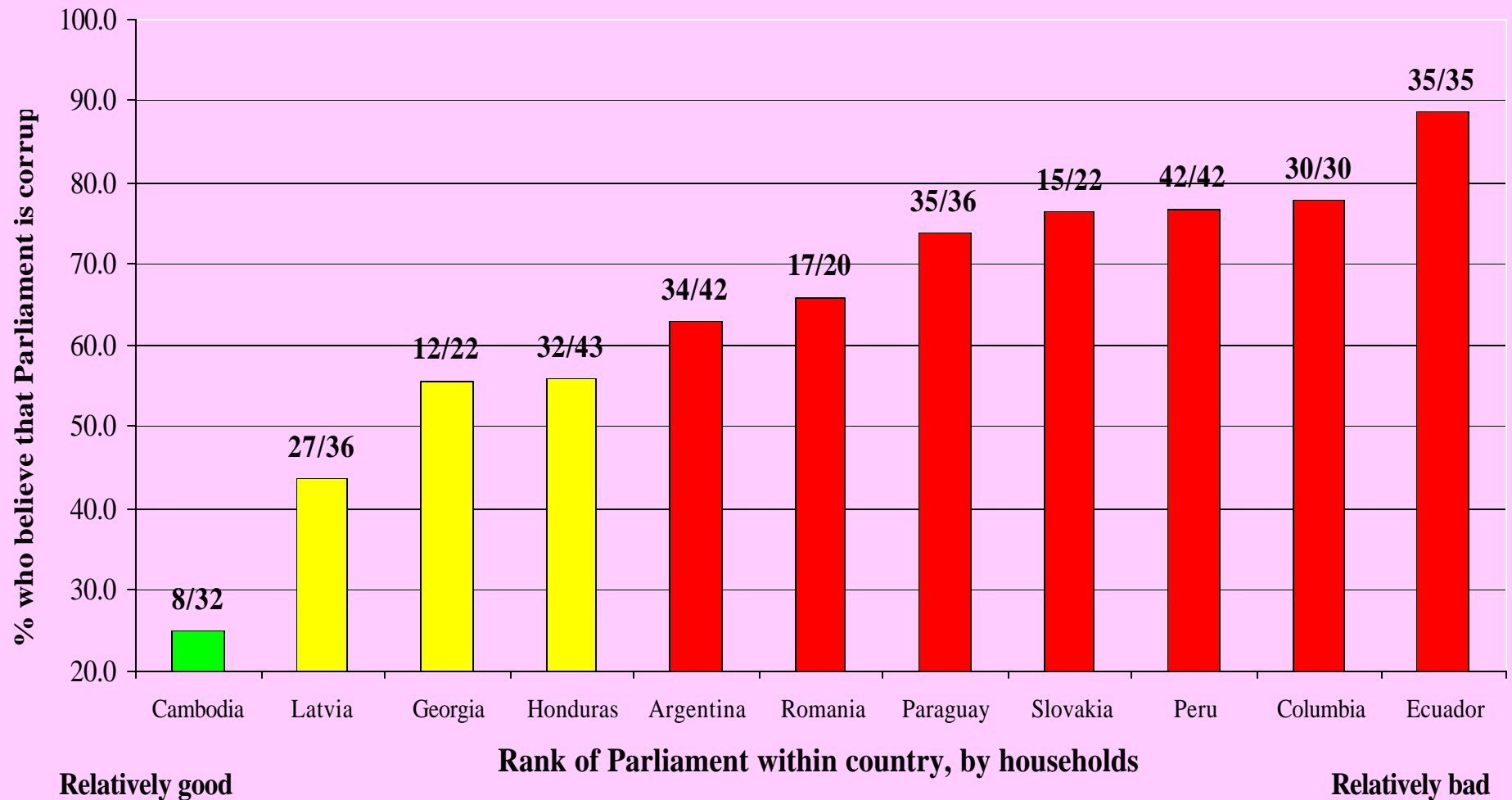
<b>DATA MATRIX SYNTHESIS</b>	<b>GOVERNANCE DATA SOURCES AND ATTRIBUTES: A SYNTHESIS MATRIX</b>											
<b>ATTRIBUTES RATING:</b>	Conceptual Framework Quality of governance indicators	Cross-Country Comparability	Degree of Objectivity in Measurement	Precision in Measurement	Periodic Monitoring capacity within a country	Quality of info. on agency or specific subject matter	Breadth of scope within Governance	Identifies generic governance challenge	Cross-Institutional/Multi-Agency Usefulness in country	Usefulness for prioritizing reforms	Cost Effectiveness	Effectiveness for Judiciary Reforms
<b>DATA SOURCE</b>												
1. Comparative Index of Int'national Corruption	MEDIUM	MEDIUM/HIGH	LOW	LOW	MEDIUM	NONE	NONE	LOW	NONE	NONE	MEDIUM	NONE
2. Opinion Surveys/ Citizen Poll	MEDIUM	LOW	LOW	LOW	MEDIUM	LOW	LOW	LOW	LOW	LOW	LOW	NONE
3. Enterprise Surveys	MEDIUM/HIGH	MEDIUM	MEDIUM	MEDIUM	MEDIUM/HIGH	MEDIUM	MEDIUM	MEDIUM	LOW	LOW	LOW/MEDIUM	LOW
4. Detailed Governance-A-C Diagnostic (GAC)	HIGH	MEDIUM	MEDIUM	MEDIUM	MEDIUM/HIGH	MEDIUM/HIGH	HIGH	HIGH	HIGH	HIGH	MEDIUM	MEDIUM
5. Report Card/ Rapid Monitoring	HIGH	MEDIUM	MEDIUM	LOW/MEDIUM	HIGH	LOW	MEDIUM	HIGH	MEDIUM/HIGH	HIGH	MEDIUM/HIGH	LOW
6. Qualitative In-depth Interviews	HIGH	LOW	LOW	LOW/MEDIUM	LOW	HIGH	HIGH	HIGH	LOW	LOW	MEDIUM	LOW
7. Official Data / Statistics	LOW	HIGH	MEDIUM	LOW	MEDIUM	LOW	LOW	LOW	LOW	NONE	LOW	LOW
8. Monitoring Budget Use / Budget Tracking	HIGH	MEDIUM	MEDIUM	LOW/MEDIUM	LOW	MEDIUM	LOW	LOW	LOW	LOW	LOW	NONE
9. Price Benchmarking /Price Comparisons	LOW	MEDIUM	MEDIUM	MEDIUM	LOW/MEDIUM	NONE	LOW	LOW	NONE	NONE	LOW/MEDIUM	NONE
10. Judicial Investigations	HIGH	NONE	MEDIUM	MEDIUM/LOW	NONE	HIGH	LOW	HIGH	NONE	NONE	LOW	HIGH
11. Video Techniques / "Sting"	NONE	NONE	MEDIUM	HIGH	NONE	NONE	NONE	HIGH	NONE	NONE	LOW	HIGH
12. Worldwide Aggregate Governance Indicators	HIGH	HIGH	MEDIUM	MEDIUM/HIGH	LOW/MEDIUM	MEDIUM/HIGH	HIGH	HIGH	LOW/MEDIUM	HIGH	MEDIUM/HIGH	MEDIUM

Note: Ratings of attribute quality for each type of data source is preliminary. Desirable attributes are in columns. Color scheme follows a traffic lights approach from gray (no relevance)/dark red (poor) to dark green (very good).

# **Salient Features of the New Governance and Anti-Corruption Diagnostic Tools**

- ***Multi-pronged***: households, firms and public officials [*‘triangulation’*], complemented by hard data.
- ***Experiential*** (vs. ‘opinions’/generic) and closed questions
- **Measuring Grand Corruption: State Capture and Kickbacks**
- **Towards ‘Cardinal’ Measurement, away from subjectivity**
- ***Conceptual framework: Focus on Incentive Structure***
- ***Rigorous technical requirements for implementation***
- ***Multidimensionality of Governance: Input for Action***

## Parliaments Misgoverned or Honest Institutions?

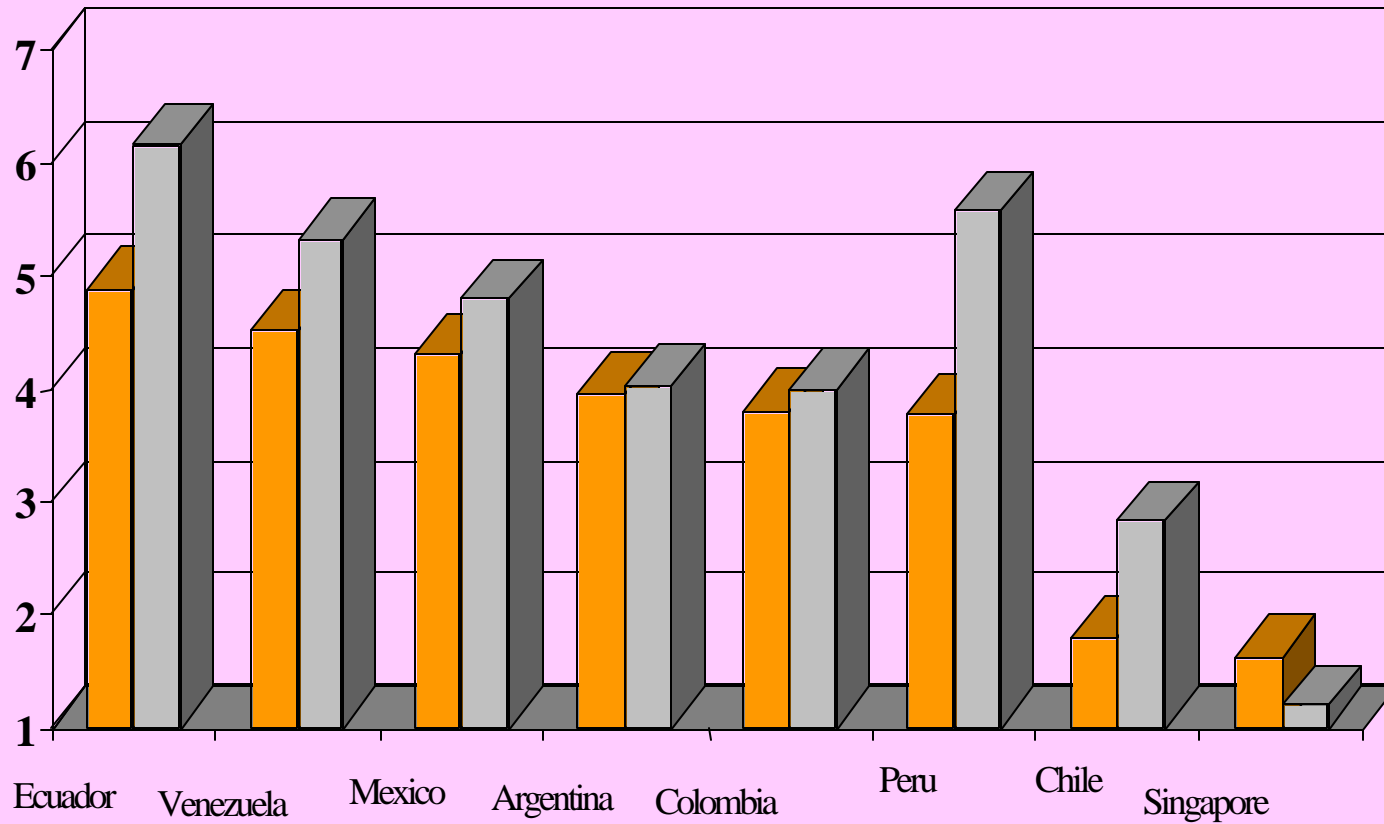


Source: WBI diagnostics and survey data; various countries; 1992-2001

Note: The chart shows percentage of respondents reporting that Parliament is dishonest institution. The number at the top of each bar reflects the ranking of Parliament relative to other, pre-defined government institutions.

# Administrative and Judicial Corruption

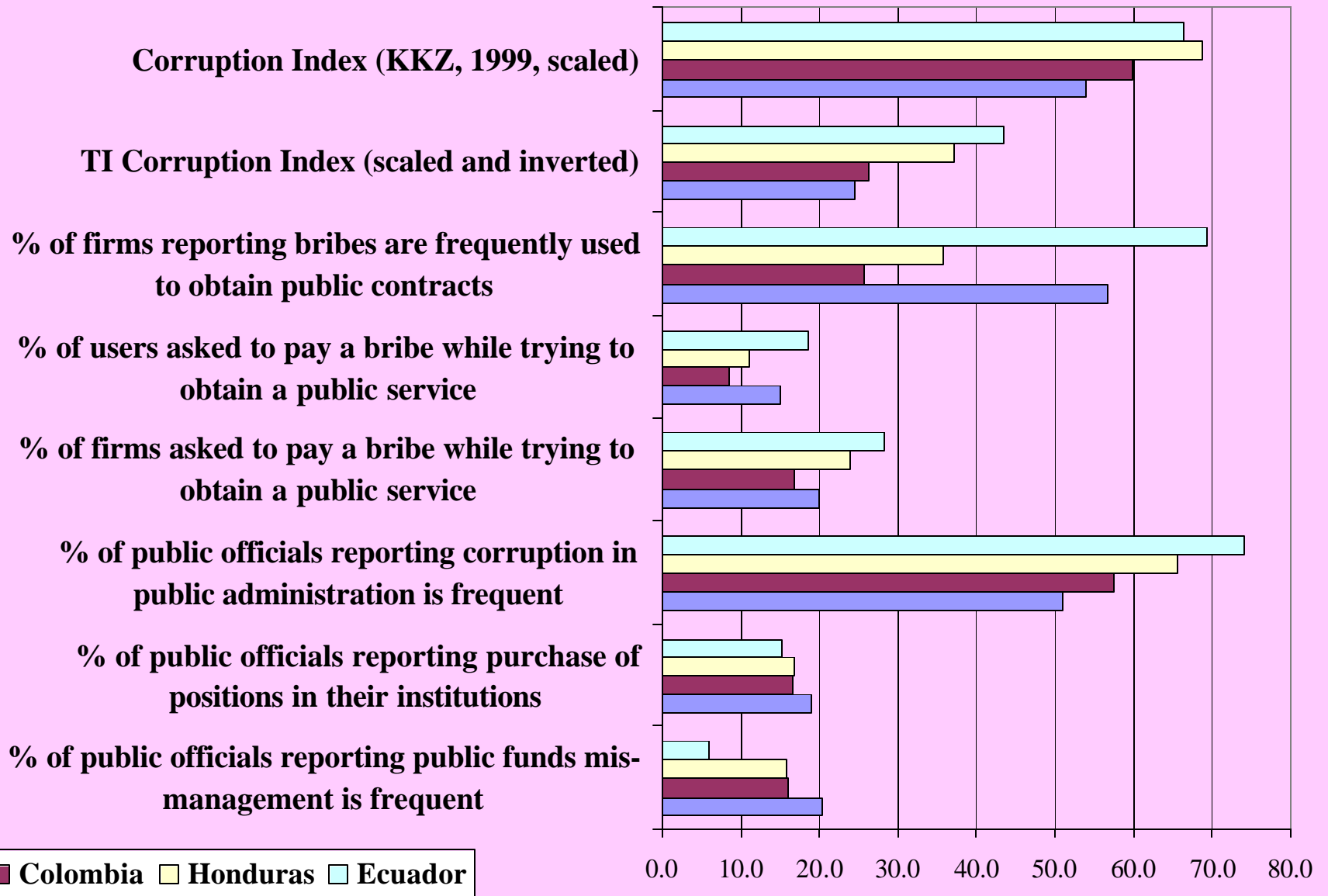
Very high



Administrative Corruption

Corruption in the Judiciary

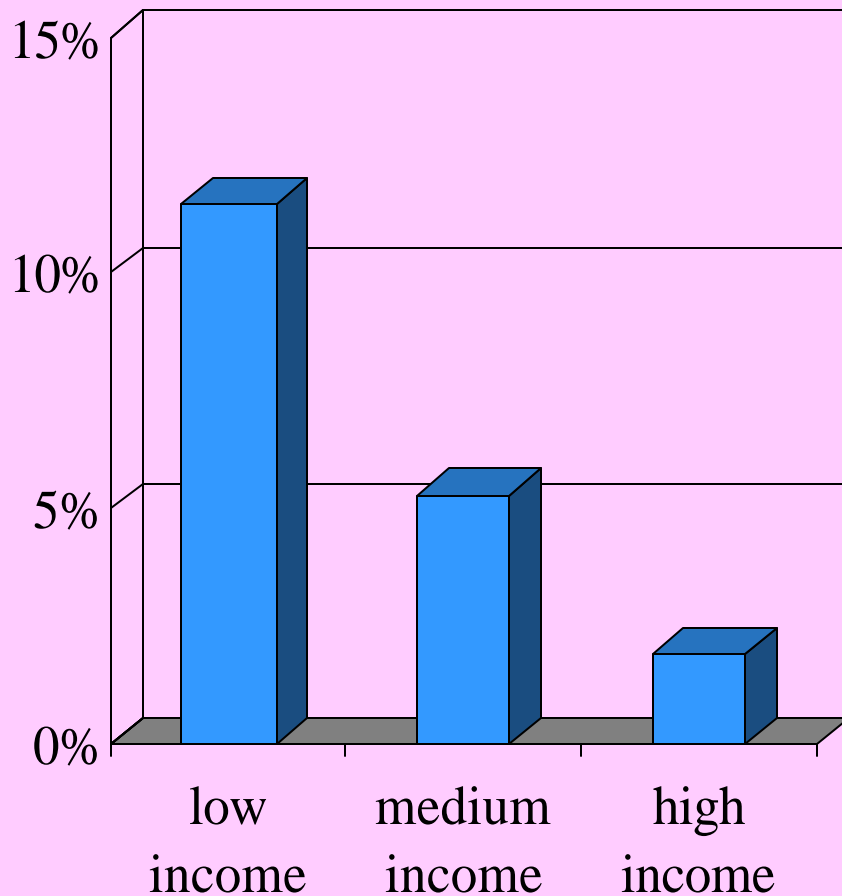
# Corruption: Comparing Honduras, Peru, Colombia and Ecuador



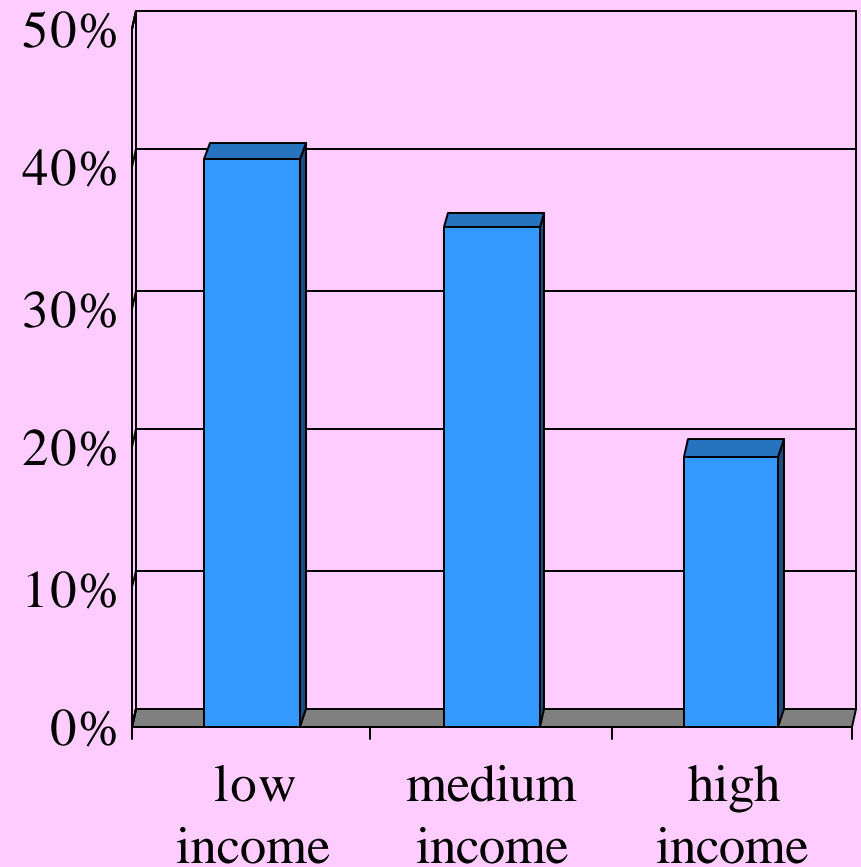
■ Peru 
 ■ Colombia 
 ■ Honduras 
 ■ Ecuador

# Romania: Dis-proportionally Negative Impact on the Poor

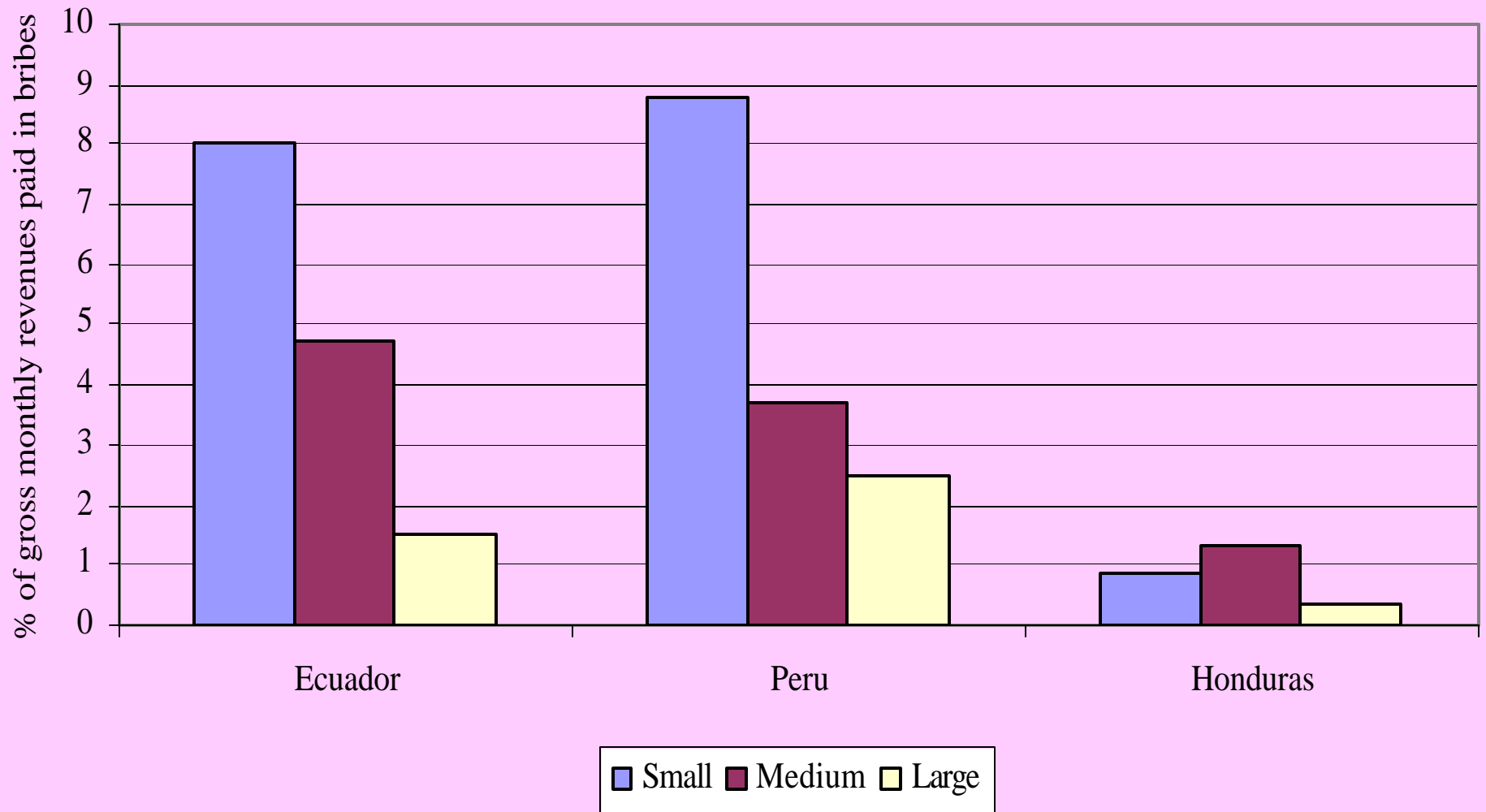
## % of Hh.Income in bribes



## % Disuaded from Medical Services

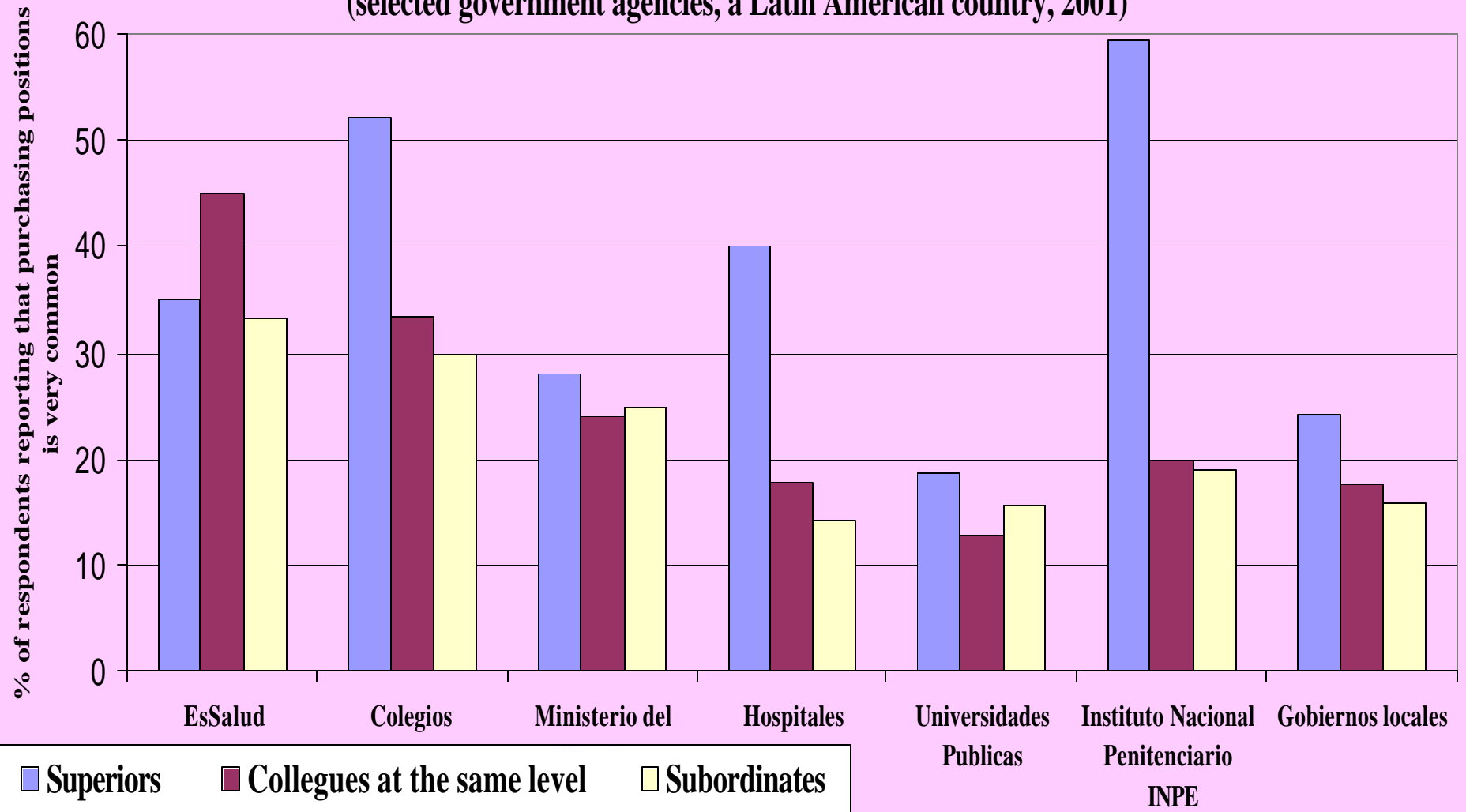


# Corruption acts as a regressive tax, and small firms pay more in bribes

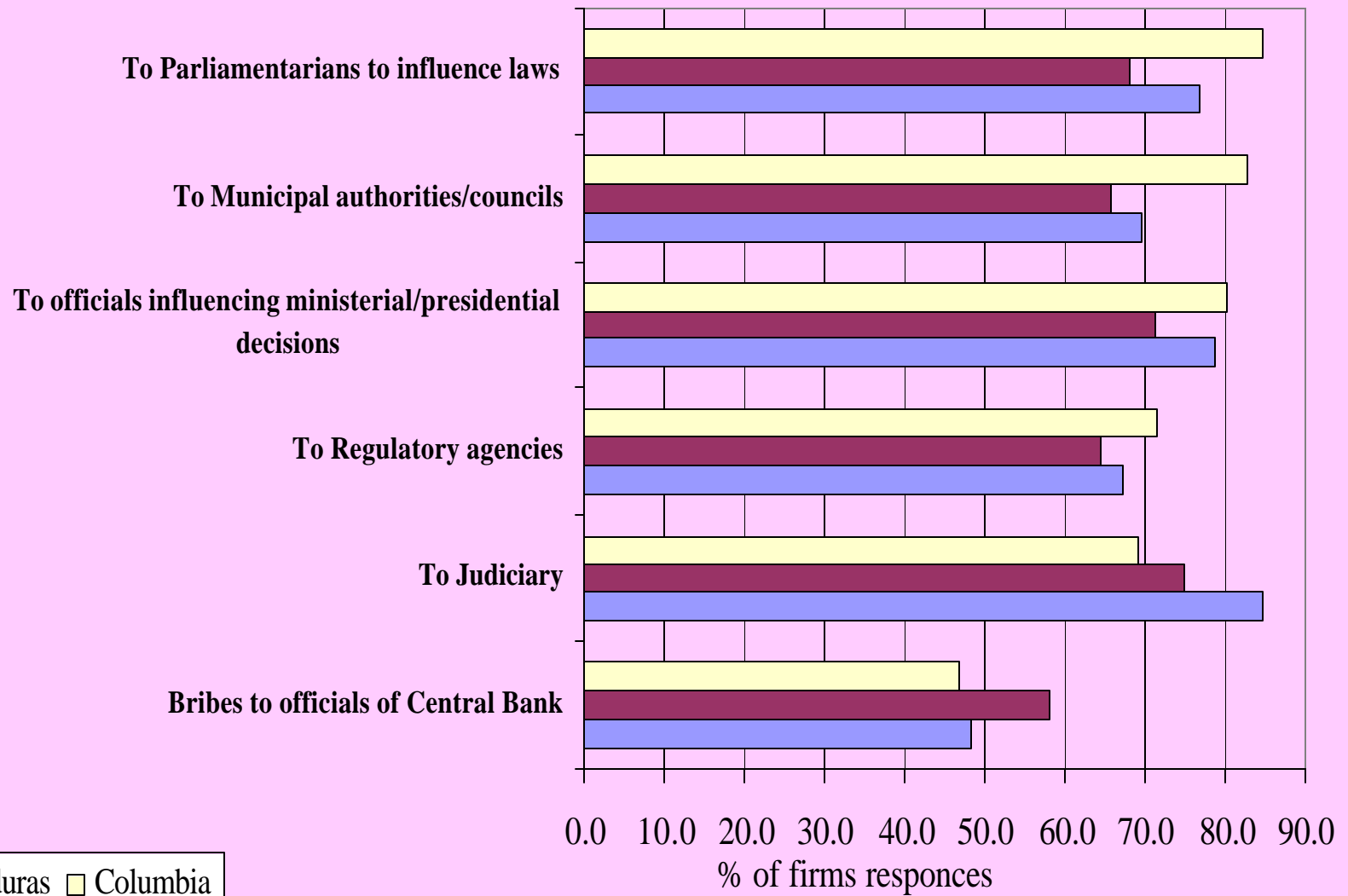


# Purchasing positions is more common within some agencies than others

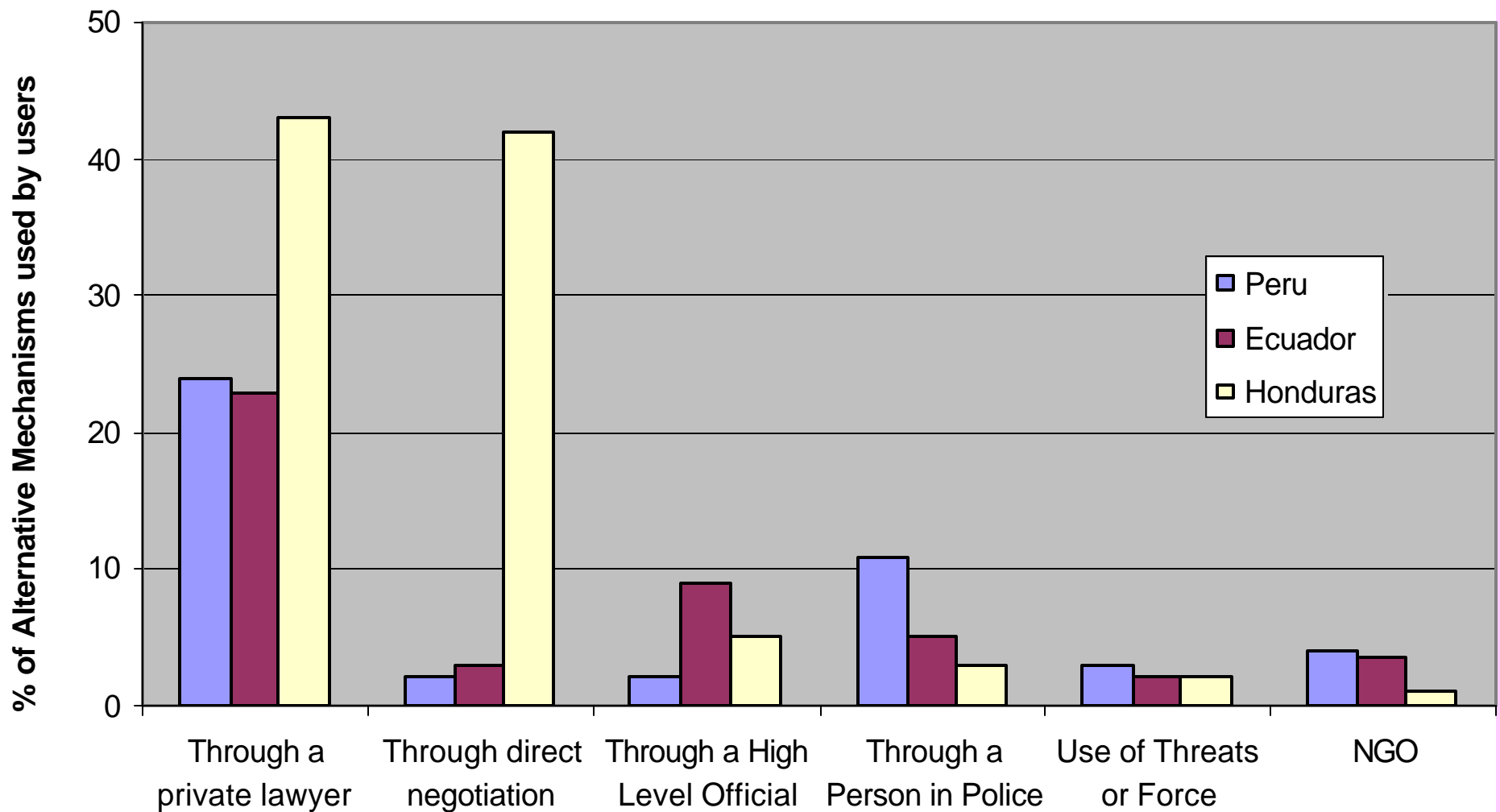
(selected government agencies, a Latin American country, 2001)



# Extent of "State Capture"/ Undue Influence by the Elite to Shape Laws in Peru, Honduras, and Columbia (as reported by enterprises, 2001)



# Use of alternative dispute resolution mechanisms

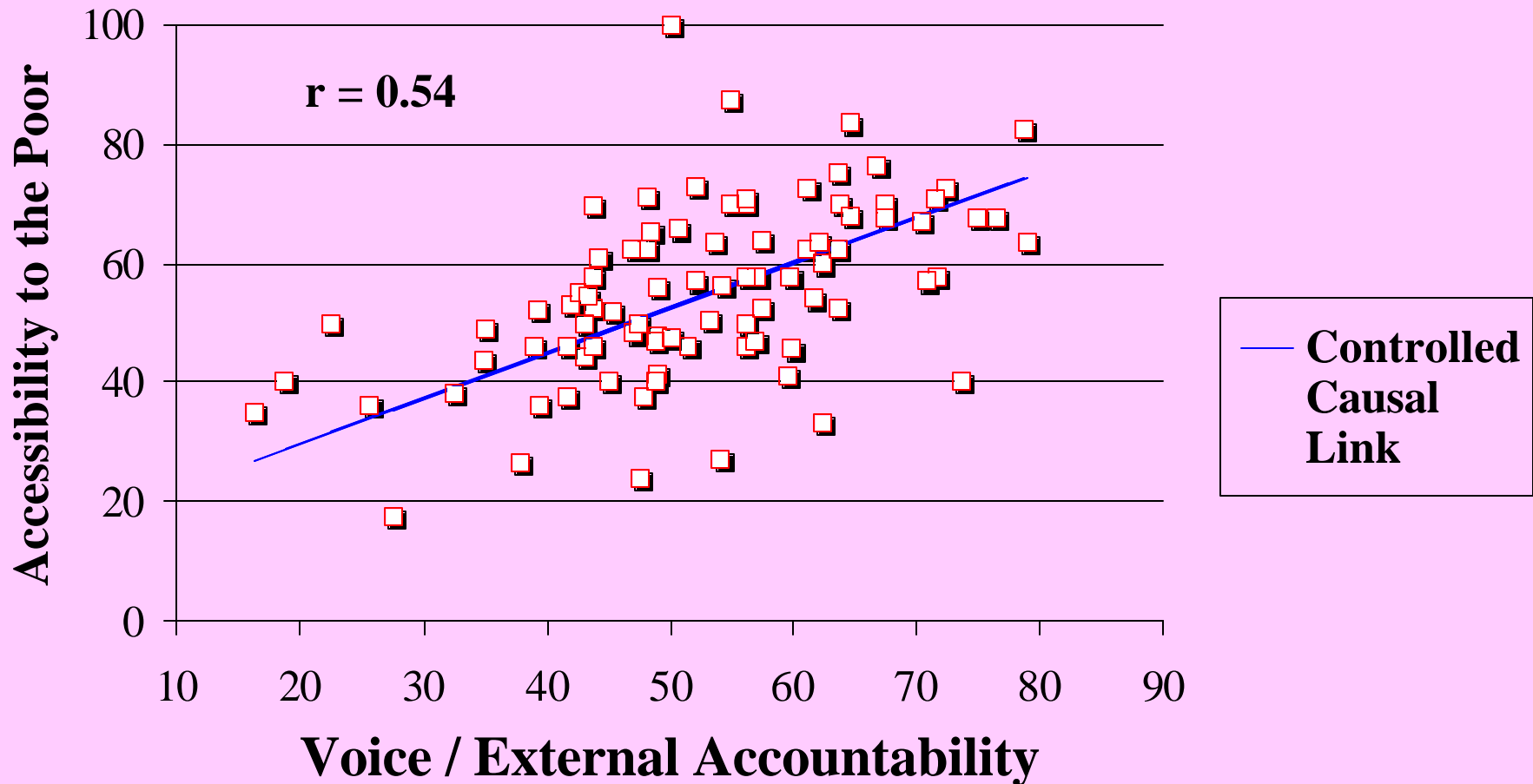


# Which Public Sector Characteristics do influence Determinants of Corruption?

- Internal Transparency
- Meritocracy
- Social Involvement and collective action
- Quality of norms and rules
- “Accountability” & citizen voice
- Rule application and supervision
- Salary Satisfaction
- Agency Missions
- Politicizing
- Others

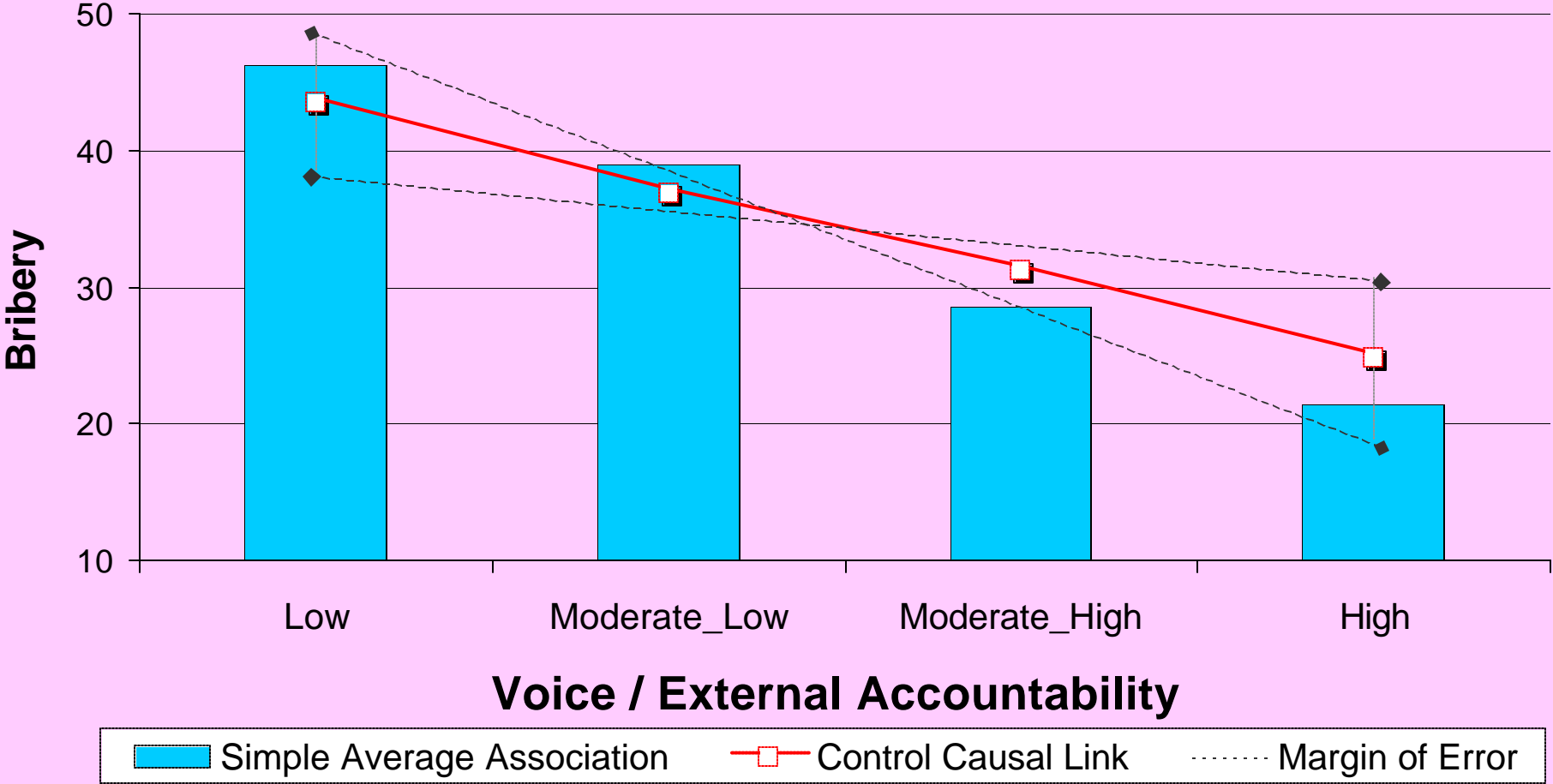
# Citizen Voice and Access to Public Services by the Poor

*(Bolivia illustration, each observation is a public agency)*



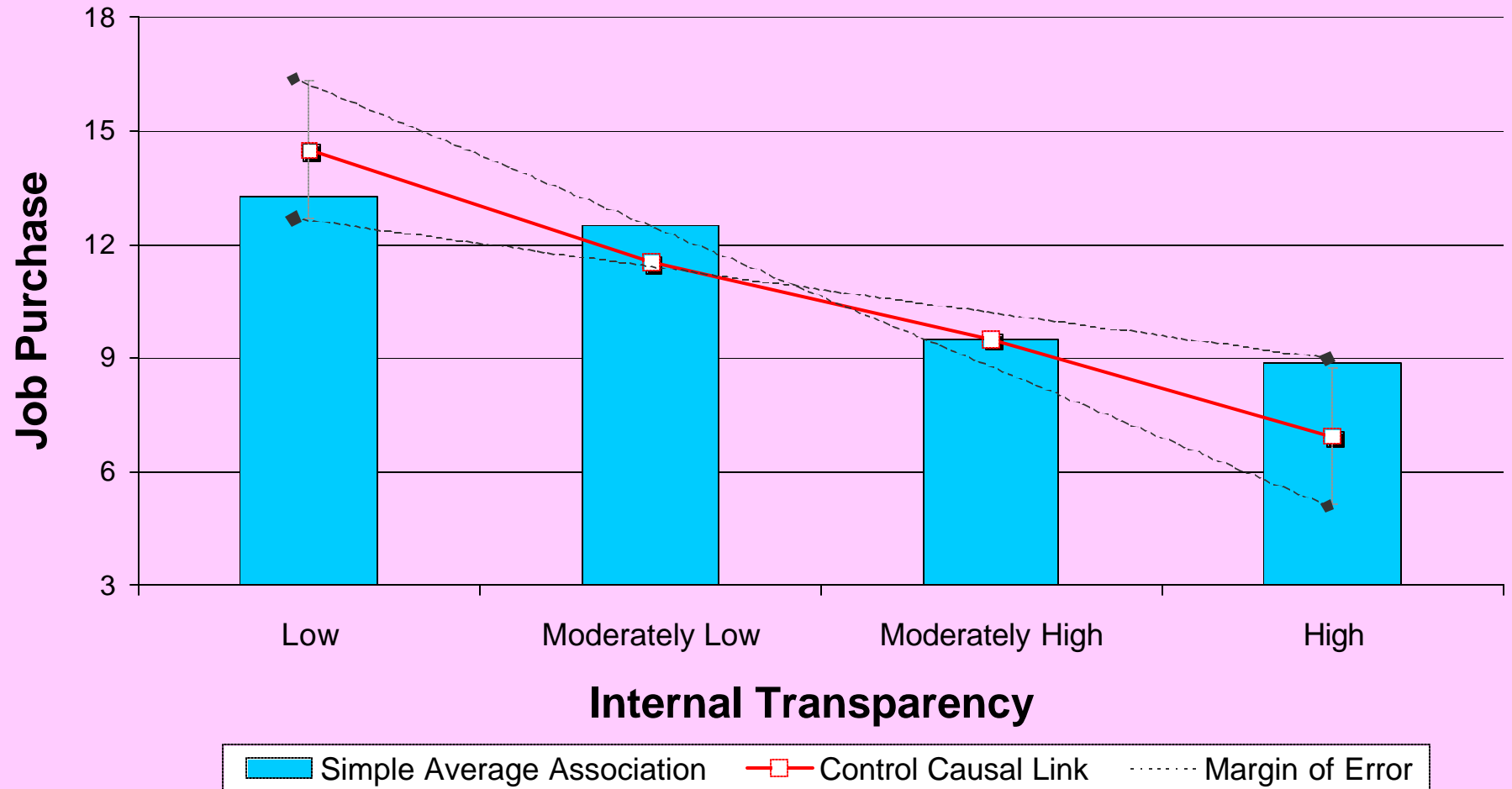
Based on Public Officials Survey. The sample of institutions includes 44 national, departmental, and municipal agencies which are a priori anticipated to be accessible to the poor

# Citizen Voice Helps Control Bribery in LAC country



Based on 90 national, departmental, and municipal agencies covered in the Bolivia Public Officials Survey.

# Transparency within Government Agencies Prevents Purchase of Public Positions



Based on 90 national, departmental, and municipal agencies covered in the Public Officials Survey.

## Which Governance Characteristics Matter for Agency Performance? Results from Bolivia Public Officials

Governance Determinant of Performance	Simple Unconditional Relationship	Conditional/Causal Relationship
'Ethical Values'	0	0
Agency Autonomy	**	0
Enforcement of Rules	**	0
Quality of Rules	*	0
Wage Satisfaction	**	0
Politicization	**	**
Internal Transparency	**	**
External Voice	**	**
Corruption	**	**

# There are more than enough Challenges...

- ‘Strengthening’ Survey Data: 1) from general opinions/perceptions to results based on *experiences*; 2) *quantify*; 3) *triangulate*; 4) measure *margin of error*
- Understand thoroughly *causes* of corruption
- Confront Empirically: ‘*Capture/Grand Corruption*’
- Complement with extra *hard* data: which?
- Complement with qualitative information: which? (focus group, studies, etc)
- How to go from information to action?...

# Strategy for Good Government and Anticorruption

## Checks and Balances:

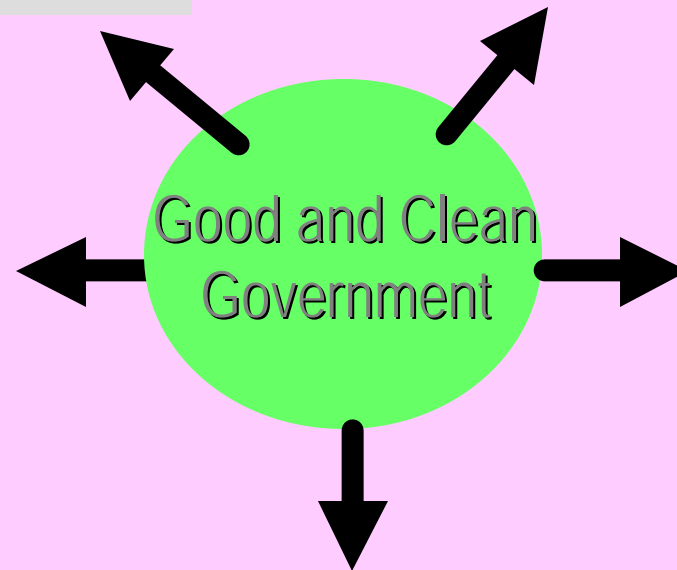
- Independent and effective judiciary
- Decentralization with accountability

## Accountability of Political Leadership:

- Disclosure of parliamentary votes
- Transparency in party financing
- Asset Declaration, Conflict of Interest Rules

## Civil Society Oversight:

- Freedom of information
- Public hearings of draft laws
- Monitoring by media/NGO's



## Competition & Entry :

- Competitive restructuring of monopolies
- Regulatory simplification

## Public Administration and Public Finance:

- Meritocratic civil service
- Transparent, monetized, adequate remuneration
- Accountability in expenditures (Treasury, Audit, Procurement)

# Governance Improvement in Practice: *Differentiated Strategies in Five Countries*

## Institutional and Civil Service Reform:

- Transparent Privatization in Ecuador
- Salary Reform in Bolivia
- Disclosure of Assets in Bolivia and Georgia

## Economic Policy:

- Deregulation and Delicensing in Bolivia
- Revamping Customs in Ecuador and Latvia
- Tax Administration in Latvia and Ecuador
- Tax/Customs Code Reform in Albania

**Corruption**

## Financial Controls:

- Procurement Reform in Bolivia, Ecuador and Georgia

## Legal-Judicial:

- Revamp of Supreme Court in Bolivia
- Competency test and firing of judges in Georgia, Albania and Latvia
- Mediation in Albania

## Public Oversight and Civil Society:

- Ombudsman in Albania and Bolivia
- Private Sector Coalition in Bolivia
- Diagnostic Surveys and NGO monitoring in Ecuador and others