

FROM 1ST TO 2ND GENERATION GOVERNANCE INDICATORS: CHALLENGES AND SELECTED ALTERNATIVES

**SOCIAL NETWORK ANALYSIS
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QUESTIONS FOR DISCUSSION



1. The current state of the art in diagnosing and tracing change of informal institutions in governance research
2. Ongoing work that can help to understand governance better
3. Areas for future research (to capture progress and effectiveness of policy interventions)

USEFUL DEFINITIONS



Governance

The manner in which the state acquires and exercises its authority to provide public goods & services

Institutions

The rule of the game in a system. Can be formal or informal. Different systems use with different institutions (ex. economic, social, legal, political, etc.)

1. STATE OF THE ART

- Limited understanding of the role of institutions and especially informal ones (based on robust evidence)
 - Growing efforts focused on selected types of (formal) institutions, but...
 - ..focus on the presence of institutions rather than on their use/implementation
- => Limited data and tools available to capture informal institutions

Stories from the ground...



- An African country has signed a peace agreement after a decade of conflict. Formal institutions (especially local ones) are largely absent. Capacity is limited. Power is highly concentrated – a few leaders control allocation of land and awarding of public contracts for reconstruction. Nepotism and patronage are widespread.
- Oligarchs in a country in northern Africa have divided the economy into lucrative monopolies, through government supported restrictions on competition. Civil society is weak.
- The President of a resource-rich country in Central Asia accepted millions of dollars in bribes, placing them abroad in a major financial center. There are few checks on executive power.

Stories from the ground, cont.

- In a low-income, democratic country in Africa, businesses finance political parties in exchange for preferential treatment. Petty corruption is widespread. Efforts to combat corruption stop prior to elections, out of fear that party financing will be cut off.
- A chronically under-funded military in a country in East Asia resorted to self-financing, establishing commercial enterprises and foundations. Generals enrich themselves by sitting on boards.
- In a low-income country in Latin America, top political leaders paid and accepted bribes from an intricate network, spanning all aspects of state and society. Through the network, the leadership controlled judiciary, legislature, and media.

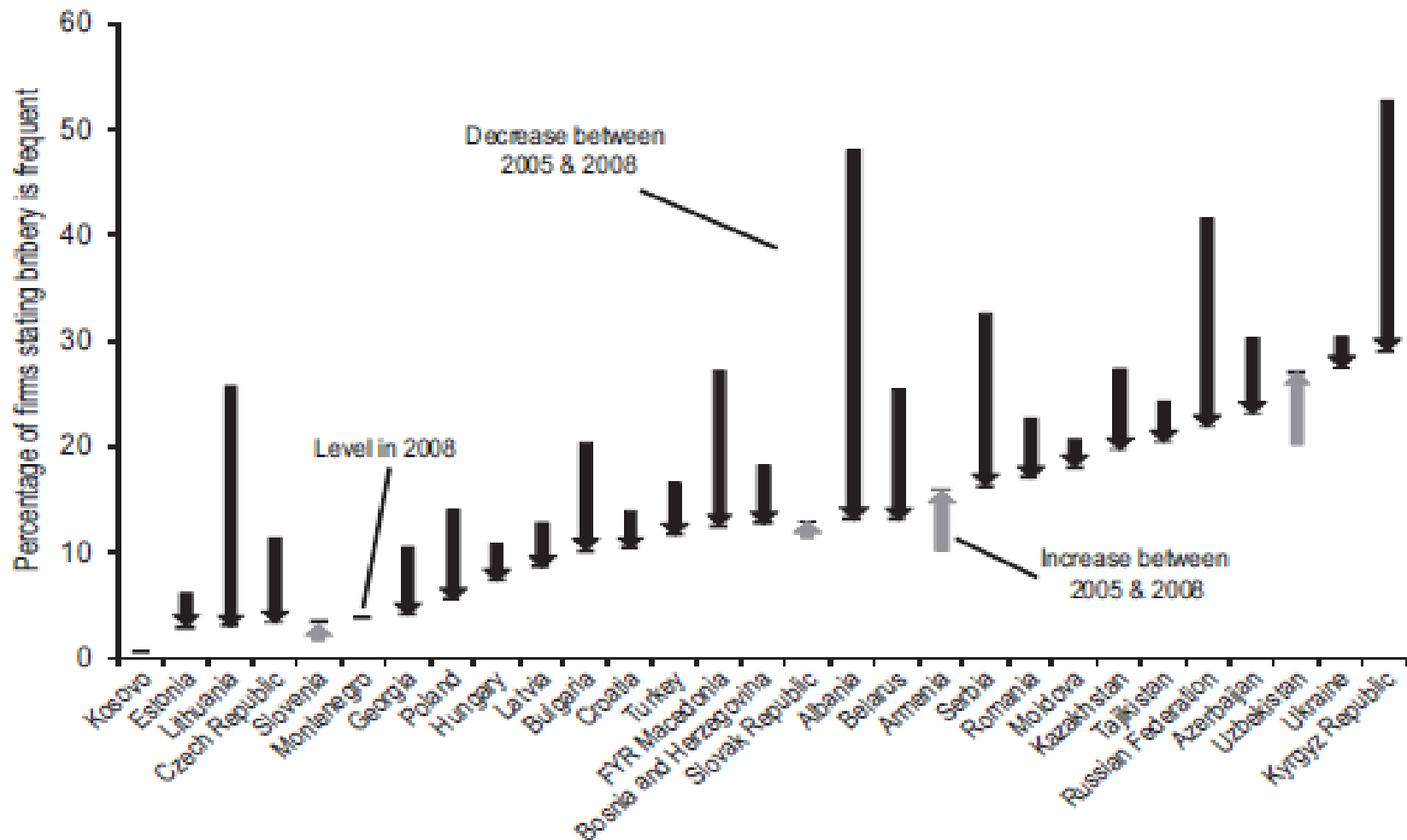
Business Environment and Enterprise Performance Survey (BEEPS)



- **Goal: Analyze how corruption, regulatory burden, and public sector factors affect the business environment**
 - Is corruption in Eastern Europe and the former Soviet Union getting better or worse?
 - What explains the changes?
 - What motivates reform?
 - Are there lessons for other regions?
- **Cross-country and time series micro-data from one source (enterprises)**

Administrative corruption, BEEPS, 2005-08

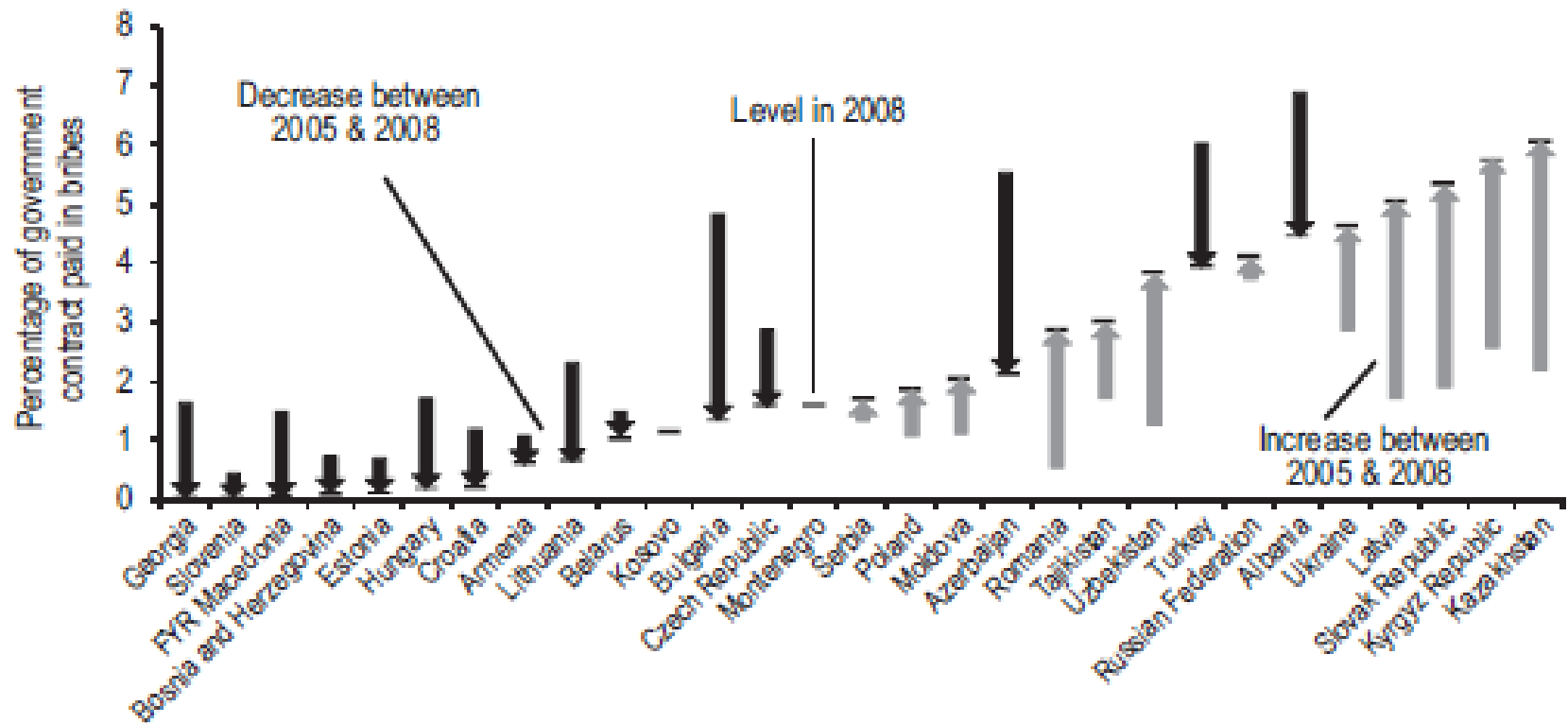
Figure 3.4. Bribe Frequency by Country, 2005 and 2008



Bribes in Public Procurement, BEEPS, 2005-08



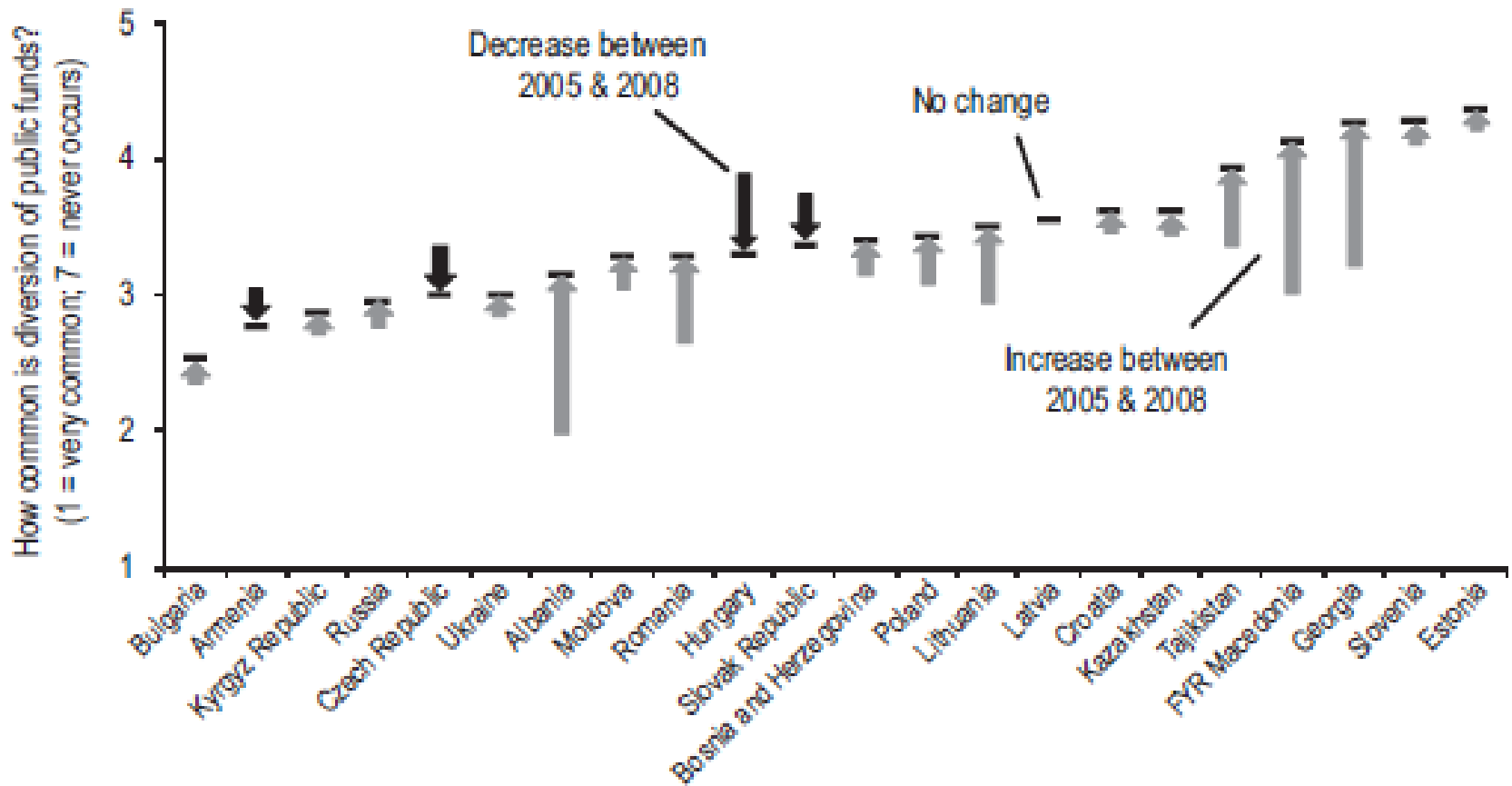
Figure 3.7. Bribes in Public Procurement by Country, 2005 and 2008



Source: BEEPS 2005, BEEPS 2008.

Diversion of public funds, 2005-08

Figure 3.9. Diversion of Public Funds by Country, 2005 and 2008

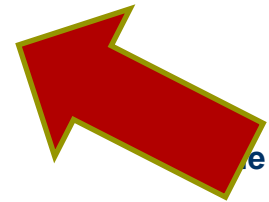


Source: World Economic Forum 2005 and 2008.

Emerging “features” of the “corruption challenge”



- In practice, an *heterogeneous* challenge
 - Different country’s reality (political, institutional and cultural)
 - Different forms of corruption
 - Different level of skills and resources
- It involves diverse actors and stakeholders (local, national and international)
- It requires a significant re-allocation of powers and rents within the country



Three remaining challenges



- 1. Heterogeneity***
- 2. Sustainability***
- 3. Implementation gap***

2. ONGOING WORK..

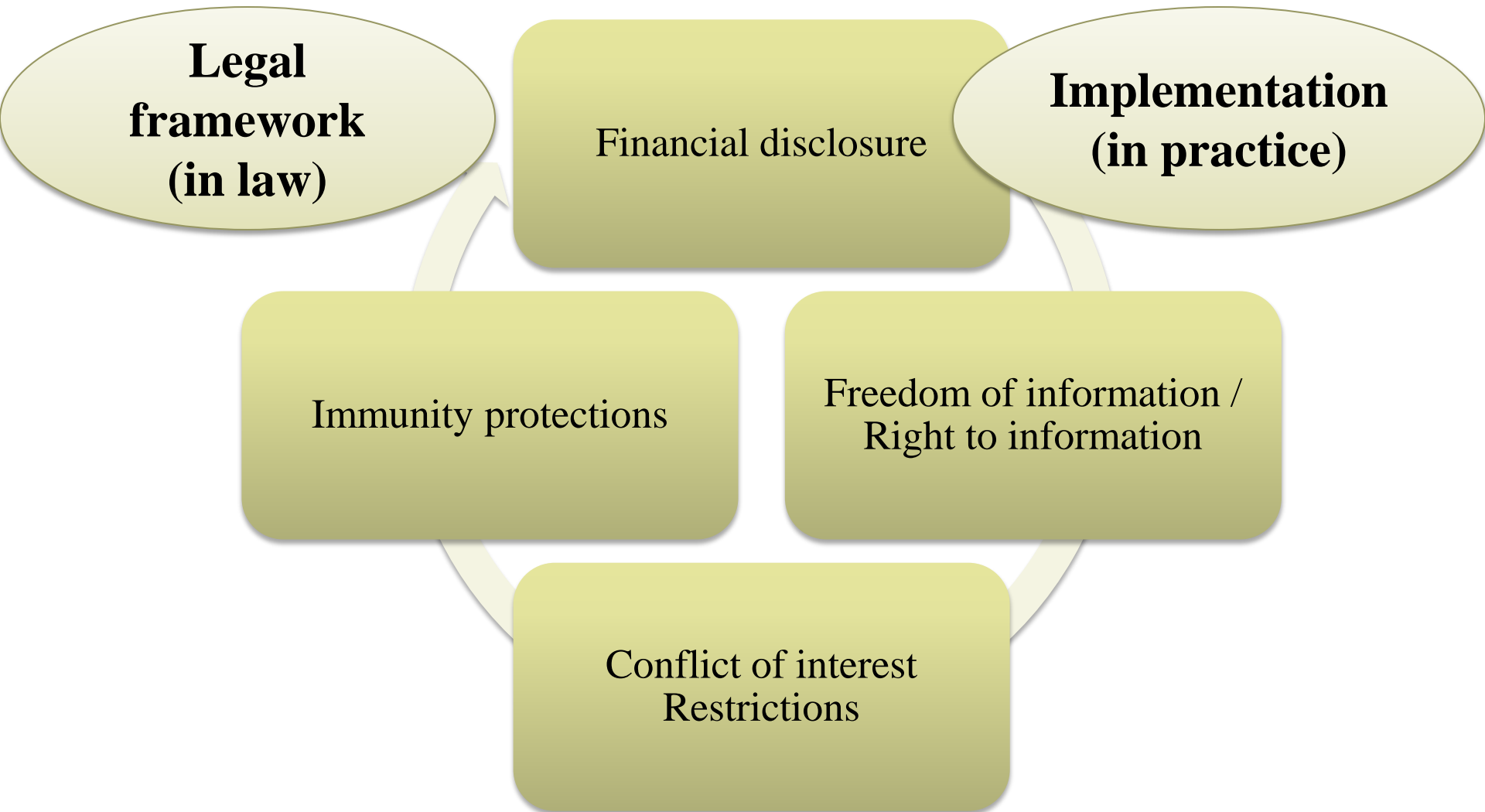


..that can help better understand governance and institutions

=> two examples of micro-level data focused on de facto institutions:

- Public Accountability Mechanisms (PAM)
Indicators - de facto implementation
(Stephanie E. Trapnell, Research Manager)
- Governance Diagnostics surveys

2A. PAM: 4 AREAS OF INQUIRY IN 2 STAGES



PAM Coverage



Mechanism	De Jure		De Facto	
	Status	No. of Countries	Status	No. of Countries
Income and Asset Disclosure	Published 2008	90	Published 2012	12
Freedom of Information / Right to Information	Published 2010	90	Pilot assessment being conducted	4 (possibly 12)
Conflict of Interest Restrictions and Disclosure	Published 2012	90	Published 2012 (Disclosure only)	12
Financial Disclosure (Combination of Income and Asset Disclosure & Conflict of Interest Disclosure)	Publication 2012	90	Pilot survey conducted 2013, inconclusive results, low participation	5
Immunity Protections	Publication 2013	90	Not Started	--

PAM ASSESSMENTS OF PRACTICES AND IMPACTS



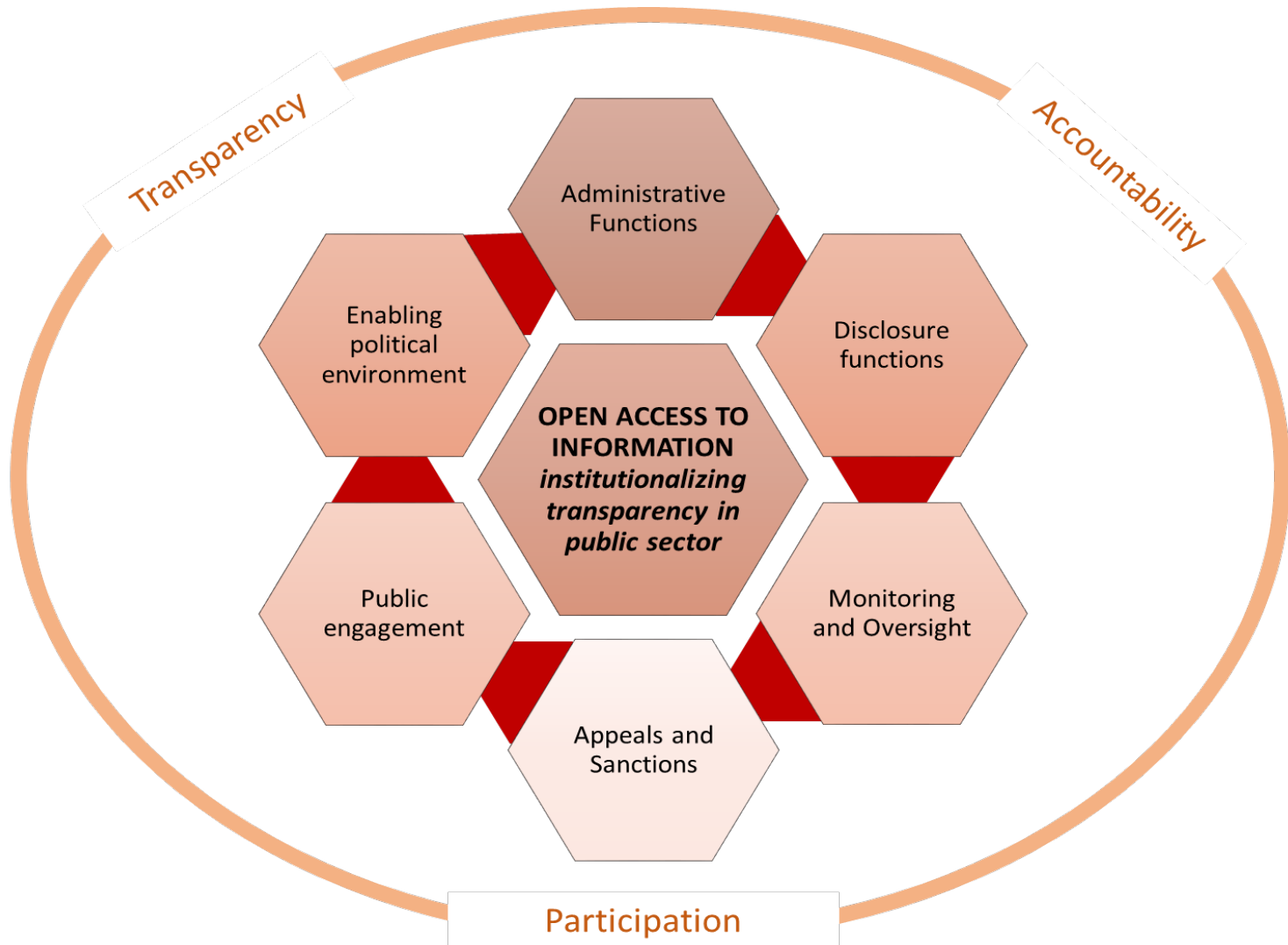
□ Financial Disclosure

- Survey consisted of approximately 70 multiple choice and short answer questions, administered online through “SurveyMonkey”.
- Data focused on medium-term outcomes: government commitment, public engagement, and system productivity.

□ Right to Information

- Indicator-led case studies that focus on institutional functioning.
- Respondents consist of managing directors of implementation agencies and local NGOs and Media dealing with accountability and transparency.
- Piloting commenced September 2013. Synthesis report planned for June 2014.

Right to information systems: capturing functional arrangements, capacities, and performance within a layered results chain



RTI - “Evaluating the method of evaluation”



□ Ease of Data Collection

- Feasibility: Is the data easily collectable?
- Indicator clarity: Can the indicator be scored easily when data is available?

□ Timely availability of Data

- Timeliness of data: How recently is data available?
- Time-series comparisons: What is the time period for which data is available?

□ Indicator Level of Usefulness

- Level of actionability: Who can make changes that would impact the indicator score?
- Level of Action-worthiness: How easily can the indicator affect outcomes, i.e, the public's access to information?
- Reliability: What is the quality of the data?
- Sustainability: Can the data be collected regularly in the future?.

2B. GOVERNANCE DIAGNOSTIC SURVEYS

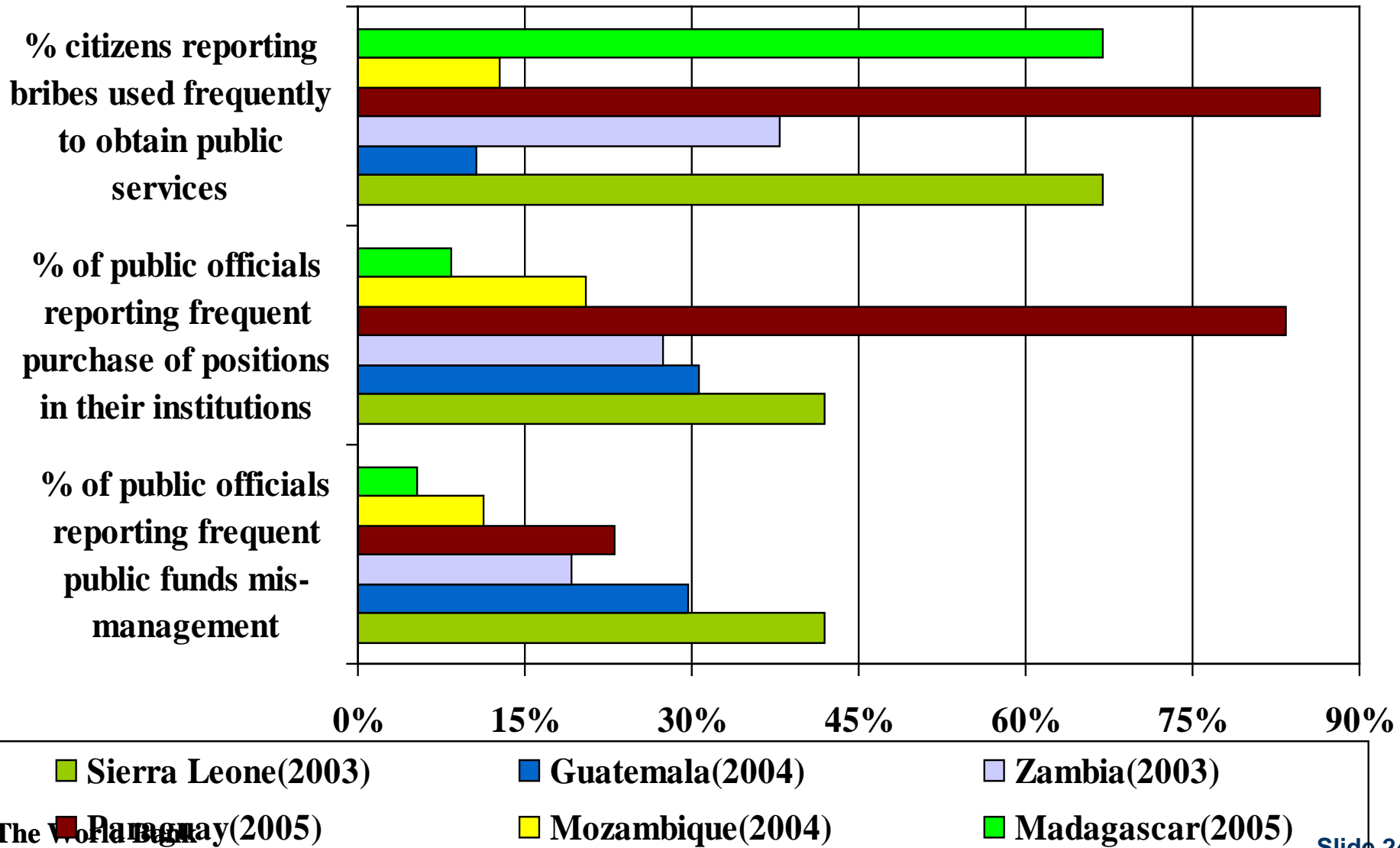
- A participatory process to identify governance challenges and build local capacity
- Key features:
 - Medium/long term **partnership** between multiple actors for design and implementation
 - Mechanism to facilitate **feedback** from different stakeholders (focus groups)
 - **Multiple sources of data** (from households, firms and public officials) focused on **experience**
 - Rigorous technical **implementation**
 - **Local institution** implements
 - Focus on monitoring **results and impact**

Country Diagnostic Results

PREVENT
CORRUPTION

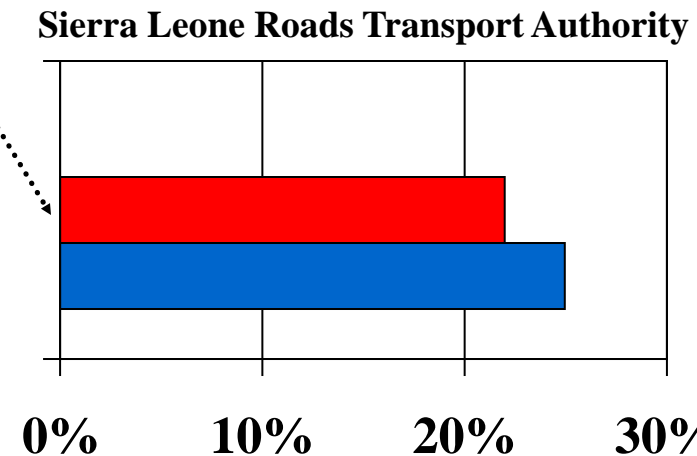
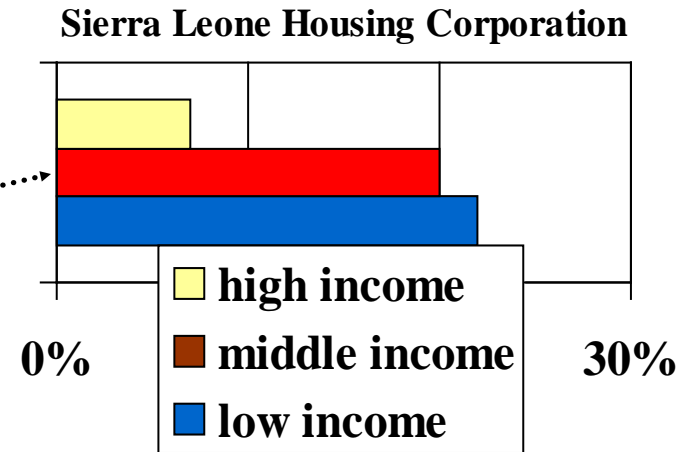
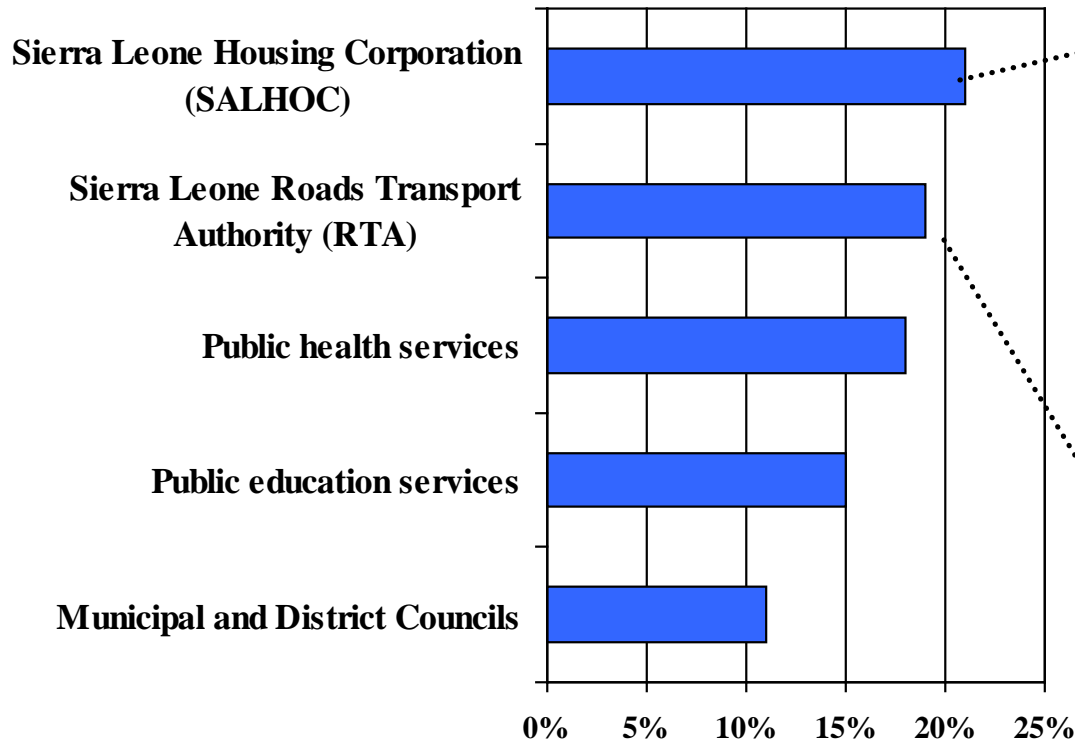


Extent of corruption, (Selected Countries '03-'05)



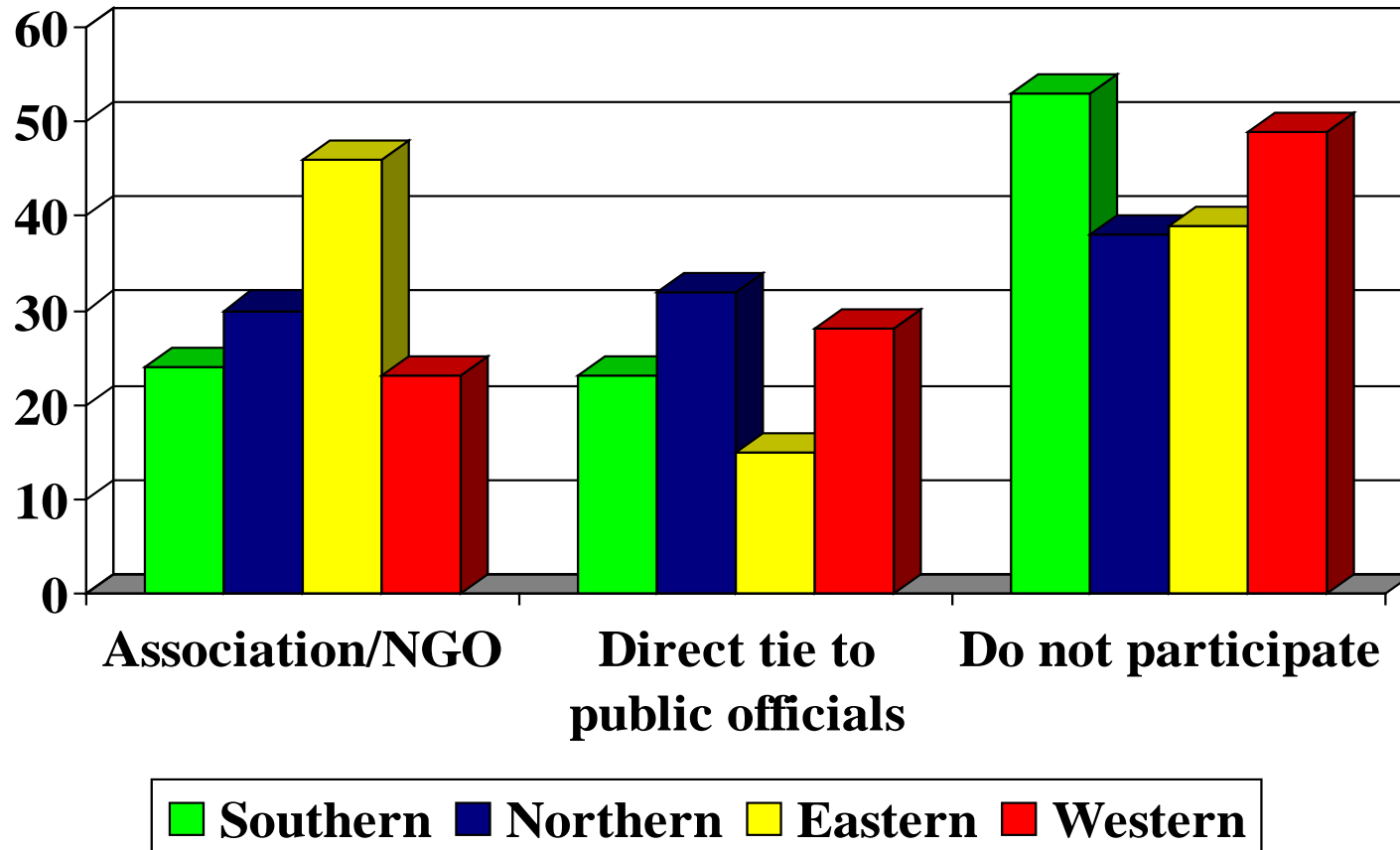
Corruption imposes barriers to households to access basic services, Sierra Leone 2003

Cost of Corruption: discouraged users by service



Proportion of head of households reporting that they decide to not conduct procedures with these institutions because they couldn't pay the unofficial costs

MECHANISMS TO PARTICIPATE TO THE POLICY PROCESS



% of households reporting to use the following channel to participate in the policy process (Sierra Leone, 2003)

2c. AGENCY-LEVEL INDICATORS



- ❑ Using responses from public officials
- ❑ Public officials are employees of each agency
- ❑ Public official's responses are re-scale (from 0 to 100) and then aggregated by agency using factor analysis technique
- ❑ 0 always meaning the lowest level of quality of governance, corruption, access or service performance

<i>GOVERNANCE AND CORRUPTION INDICATORS BY PROVINCE</i>	South Prov.	North Prov.	East Prov.	West Area	SIERRA LEONE
Overall corruption	22	32	35	33	32
Corruption in budget	35	43	48	39	40
Corruption in public contracts	18	35	29	33	30
Corruption in personnel	39	44	55	53	49
Accessibility for poor	85	74	87	74	78
Audit Mechanisms	55	59	66	58	58
Enforcement of rules	70	67	80	73	71
Politicization	21	34	22	34	32
Quality of rules	62	62	70	61	63
Resources	54	51	47	55	52
Transparency	51	55	53	51	55
Citizen voice	70	59	65	66	66
Meritocracy	66	65	70	69	68



	Legal and Regulatory Corruption	Corruption in Personnel	Corruption in Budget	Administrative Corruption	Corruption in Public Procurement
AUDIT	-0.09	-0.14	-0.36	-0.14	-0.14
	(0.048)*	(0.055)***	(0.061)***	(0.056)**	(0.055)**
MERIT	-0.15	-0.33	-0.10	-0.19	-0.09
	(0.040)***	(0.045)***	(0.051)**	(0.046)***	(0.045)**
OPENNESS	-0.11	-0.02	-0.25	-0.17	-0.15
	(0.054)**	(0.062)	(0.069)***	(0.063)***	(0.061)**
Observations	928	928	928	928	928
Adjusted R-squared	0.847	0.889	0.876	0.897	0.914

Weighted SUR regressions with regional Fixed Effects
 Standard errors in parentheses * significant at 10%; ** significant at 5%; *** significant at 1%



	2SLS	OLS
	Total Corruption	Total Corruption
Internal Organization	-1.4603	-0.5767
	(0.7649)*	(0.0419)***
Obs.	909	915
First Stage Regression	Internal Organization	
Average Internal Organization	0.2237	
	(0.1279)*	
Obs.	909	

Weighted SUR regressions with regional Fixed Effects
 Standard errors in parentheses * significant at 10%; ** significant at 5%; *** significant at 1%

3. AREAS FOR FURTHER RESEARCH

... to capture progress and effectiveness of policy interventions

A. Filling the data gaps

- Implementation gap and de facto data
- Agency level data
- Sector focus

B. Understanding the causal dynamics

C. Ensuring sustainability of data collection and public access to data

RESOURCES ON THE WEB

- **Governance and Anti-corruption:**
www.worldbank.org/anticorruption
- **Anti-Corruption Authorities Portal:**
www.acauthorities.org
- **Governance Diagnostic Surveys Country Sites:**
<http://go.worldbank.org/P8PT8AK4P0>
- **Actionable Governance Indicators Website:**
www.agidata.org
- **PAM Initiative Website:**
www.agidata.org/pam

Additional material available upon request:
AskGov@worldbank.org

THANK YOU!

Q & A