MEASURING GOVERNANCE:
TOOLS AND METHODS FOR POLICY ADVICE AND CAPACITY BUILDING

Abstract
Governance is a key determinant for development and poverty alleviation. To improve governance, however, it is essential to be able to measure it. Because of the complex and composite nature of governance, this has proven to be a significant challenge both at the conceptual and at the empirical level. The objective of this paper is to provide researchers and policymakers with a framework to compare existing approaches and tools used to measure governance. Its central message is that the choice of approach depends on the purpose at hand, which may range from awareness-raising, policy design, or empirical research, since different purposes require different approaches and can lead to the design of distinct tools.

We begin by introducing an analytical framework that can be used to approach the challenge of measuring governance. This framework comprises four dimensions: (1) the conceptual setup (2) the empirical tools used, (3) the implementation process, and (4) the type of analysis of the data. The framework allows us to compare alternative approaches used to measure governance and single out a sub-set of recently developed tools especially effective for policy design and capacity building at the local level.

We complement this conceptual discussion with a series of real-world illustrations on the use of governance data for policy design. These illustrations suggest that governance assessments can have a potentially greater policy impact when focusing on objective, measurable factors. Moreover, a governance assessment built on stakeholder’s participation promotes local ownership, greater integration of the results into the policymaking process, and enhanced capacity to monitor policy progress.

1. INTRODUCTION......................................................................................................... 3
2. DEFINITION AND ANALYTICAL FRAMEWORK.................................................. 7
3. EMPIRICAL STRATEGIES AND METHODS.............................................................. 11
4. MEASURING GOVERNANCE - AN INTEGRATED APPROACH ......................... 13
   A) MACRO LEVEL: CROSS-COUNTRY AGGREGATE GOVERNANCE INDICATORS ....... 14
   B) MEZZO LEVEL: CROSS-COUNTRY UNBUNDLED GOVERNANCE MEASURES .......... 15
   C) MICRO LEVEL: IN-DEPTH INSTITUTION-SPECIFIC COUNTRY DIAGNOSTICS .......... 17
5. THE IMPLEMENTATION PROCESS: PARTICIPATION AND CAPACITY BUILDING ................................................................. 19
6. ANALYSIS AND USE OF THE DATA.................................................................... 23
   THE MANY FACES OF CORRUPTION ................................................................... 26
   COSTS OF MIS-GOVERNANCE AND CORRUPTION ............................................ 30
Governance: the process, institutions and customs through which the function of governing is carried out.

1. INTRODUCTION

Why write about measuring governance when widely held skeptical views abound about its usefulness? In particular, four types of tenets are held. First, that its composite and ‘subjective’ nature – couples by the intrinsic incentive to hide and conceal misgoverned and corrupt events by those benefiting from it – makes it impossible to measure governance correctly. Second, that even where aspects of governance have been measured, the tendency to provide a single aggregate rating per country to rank countries has no value for policy advise and action programming at the country-level. Third, that measures of governance are subject to such large measurement errors because they are based on unreliable ‘perceptions’ and opinions, and, thus practically useless. And fourth, that measures of governance for a country (even if it could be done with some accuracy), would merely confirm what is widely known by country observers, thus limiting their empirical value.

This paper challenges these orthodoxies, which, in different permutations, have been widely used as a rationale against measurement of governance, or (at times) as justifications for rejecting existing measures of governance. Until a few years ago, there was little attempt to provide for systematic measures of governance for many countries, and the vast majority of policy advise, action program formulation, and research writings in these subject areas were done without any rigorous empirical measurement. By departing from the non-empirical approach to governance work, we posit that empirical measurement is, first, essential for progress in improving governance and controlling corruption, and, second, that it is feasible. At the same time, we emphasize that, while feasible, governance measurement is a very complex task that requires the appropriate conceptual and empirical tools, their proper application and the reasoned interpretation of results. It also necessitates the tailoring of the appropriate approach and set of diagnostic tools to the desired objectives and realities of the country(ies) under study.

The objective of this paper is to deepen our understanding of the field of empirical assessment and measurement of governance, by reviewing approaches to governance measurement and presenting the key analytical and practical issues. In the process, we spell out some of the challenges, pitfalls, and suggested roadmaps, recognizing that this is an evolving field where we are far from having a definitive blueprint and within a steep learning curve process. We expect that given the continuous learning process in this relatively undeveloped field, our contribution here is to undergo revisions and updates over time, as we benefit from further lessons from experience and the feedback from readers and practitioners.

Over the past five years researchers have increasingly focused on the link between poor governance and economic growth. The cross-country evidence has shown how poor governance (and corruption) can be harmful for the standard of living and the distribution of income of citizens, reducing income per capita, literacy, while increasing infant mortality (see Figure 1). Further, poor governance distorts public expenditure and
increases poverty, reducing investment efficiency.1 Thus, governance has began to be seen as a key intermediate input to social and economic development, as well as a welfare-enhancing developmental outcome itself.

These preliminary results have posed two challenges for practitioners:

(i) to move beyond anecdotal evidence to a systematic approach for measuring governance, its determinants, and its consequences for social and economic growth;

(ii) to use data and rigorous analysis to support institutional reforms at the country level to curb corruption and improve governance.

Governance is however a multidimensional concept, much broader than corruption, with which it is often closely associated. A quick overview of the existing literature shows that a number of different tools and approaches are currently available to measure governance.2 The complexity of the phenomenon and differences in objectives have translated into different methods to measure it, leading to a sizable amount of quite dissimilar tools and information. This also has created difficult tradeoffs. Monitoring progress requires comparable responses and standardized survey procedures and sample design over time. Similarly, research objectives may call for comparability and standardization across countries. Comparability and standardization across countries limit the ability of local institutions to adapt governance instruments to local reality while promoting capacity building. Practitioners now face the new challenge to select the most appropriate approach and tool to measure governance.

To address this challenge, we introduce a framework that can be used to design and implement a governance assessment. The framework comprises four pillars:

---


2 Readers can visit the following web pages for an overview of some of the indicators available: http://www1.worldbank.org/publicsector/indicators.htm ; http://www1.worldbank.org/publicsector/toolkits.htm
1. the conceptual setup;
2. the empirical tools;
3. the implementation process, and,
4. the analysis and use of the data.

The empirical tools usually play the central role in the design of a governance assessment, while the other dimensions are often overlooked. The empirical tools however are only one of the components that should be taken into account. The implementation process, for example, is another important dimension along which governance assessment can vary and serve different purposes. Thus, this framework allows us to compare some of the methods available to researchers and practitioners to assess governance.3

The assessment of the existing empirical tools is done along a variety of dimensions, such as, for example, cross comparability, measuring precision and approach used. In the process, we address some general methodological issues that can influence the quality of data collected. Because measuring governance is the product of choices made along each of the aforementioned dimensions, this framework allow us to identify the multiplicity of outcomes that can emerge from this type of exercise, from knowledge and data for analysis to greater local capacity and awareness.

### Governance Tools – An Overview

<table>
<thead>
<tr>
<th>Name</th>
<th>Objective</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRMPS Public Official Surveys</td>
<td>To study the ways in which performance of public officials depends on the incentives and constraints provided by their institutional environment</td>
<td>Survey</td>
</tr>
<tr>
<td>Quantitative Service Delivery Surveys (QSDS)</td>
<td>To study the allocation and use of resources and service delivery at the level of front-line providers</td>
<td>Survey</td>
</tr>
<tr>
<td>Public Expenditure Tracking Surveys (PETS)</td>
<td>To track the flow of resources through the relevant layers of government and via the banking system down to facilities, to determine how much of the original allocation reaches each level, and how long it takes to get there</td>
<td>Survey</td>
</tr>
<tr>
<td>World Business Environment Survey (WBES)</td>
<td>To assess the state of the enabling environment for private enterprise in a large number of countries, surveying at least 100 firms per country.</td>
<td>Survey</td>
</tr>
<tr>
<td>Worldwide Governance Indicators</td>
<td>To produce estimates of: (i) governance measures at the country level, (ii) confidence intervals (or ‘margins of error’) for those estimated levels, and (iii) precision measures for each of the individual sources included in the aggregate indicators.</td>
<td>Survey</td>
</tr>
<tr>
<td>Governance and Anti-corruption (GAC) diagnostic Surveys</td>
<td>To obtain an initial benchmark of governance and public sector performance and monitor on a regular basis governance and public sector performance.</td>
<td>Survey</td>
</tr>
<tr>
<td>Business Environment and Enterprise Performance Survey (BEEPS)</td>
<td>To generate comparative measurements in areas such as corruption, state capture, lobbying, and the quality of the business environment, which can then be related to firm performance.</td>
<td>Survey</td>
</tr>
</tbody>
</table>

3 Although the list of empirical tools we review is not exhaustive, it does represent the vast majority of the most commonly used empirical tools.
The main result is that the choice of approach to use to measure governance is a function of the final objective of the analysis. In particular, for policy-reform and capacity building purposes it is key:

(i) to focus on institutions, rather than individuals;
(ii) to emphasize experiential rather than perception data;
(iii) to use closed, indirect questions that maximize response rates and facilitate rigorous and systematic analysis of the data,
(iv) to employ a multi-pronged approach, gathering data from more than one type of respondent; and
(v) to involve in the data-gathering process technically capable local NGOs and specialists, capitalizing on and strengthening local knowledge and expertise.

The conceptual discussion of the first part of the paper is complemented by a series of illustrations based on the multi-level approach to governance developed by WBI. This approach combines information and data from three separate sources: (i) “macro-level”, estimates of six dimensions of governance\(^4\), covering 199 countries; (ii) “meso-level”, quantitative evaluation of business climate\(^5\) in more than 80 countries; (iii) “micro-level”, country-specific diagnostic surveys of governance, based on a representative sample of public officials, business people, and users of public services.

\(^4\) aggregated using unobserved components methodology and based on hundred individual variables measuring perceptions of governance, drawn from 25 separate data sources constructed by 18 different organizations

\(^5\) using various micro and macro dimensions of governance based on a survey of more than 10,000 firms
This multi-level approach is based on the insight that the complex phenomenon of governance can be better understood combining information from different types of sources and respondents. At the “macro-level”, we find the work by Kaufmann, Kraay, and Zoido-Lobatón (1999a,b). Using data from various sources, the authors compile a set of measurable indicators of governance for set of monitorable indicators of governance they can use to benchmark themselves against other countries and over time. This new cross-country data has permitted a greater awareness of the challenges of governance and a deeper understanding of its causes and consequences. However, governance indicators cannot help identify specific, in-country priorities for policy change.

Given the limitations of what can be achieved with highly-aggregated data, more recently new disaggregated approaches have been developed. Firms across countries can help provide a richer picture of the challenges of governance and corruption by sharing their experiences in doing business in a country. This information, though rich and detailed, offers only a partial dimension of the governance phenomenon. Furthermore, the form and mechanisms of poor governance are closely related to the institutions of a country. For this reason, a country-specific approach based on multiple, in-depth governance diagnostics is necessary for policy design. This allows to gather information from different stakeholders – private citizens, businessmen, and public officials – on the specific governance challenges.

The rest of the paper is organized as follows. We begin by introducing a general analytical framework to measure governance. Section 3 discusses alternative methods developed to measure governance, emphasizing the complementarities between approaches. Section 4 introduces an integrated, multi-level approach developed by the World Bank Institute. Section 5 is dedicated to some political economy issues that arise when performing a governance assessment. Section 6 is devoted to built the gap between the data and policy making. It shows how to use the micro-level data gathered in the in-depth diagnostic surveys for policy advice. It does not provide a comprehensive review of all the topics that could be addressed, instead, we provide a number of illustrations of what can be done. In the final section of the paper we discuss some limitations of our approach and possible directions for future research.

2. DEFINITION AND ANALYTICAL FRAMEWORK

A commonly used definition states that governance is the process, institutions and customs through which the function of governing is carried out. Following this definition, governance encompasses the process of selecting, monitoring and replacing...
governments and the capacity of governments to manage resources efficiently, to formulate and implement sound policies. It also comprises the respect of citizens for the institutions that govern economic and social interactions among them.

This definition – based on process, capacity and respect – allows us to divide governance into six sub-groups that can be more easily identified and measured, namely:

i) Voice and Accountability, which includes civil liberties and freedom of press;
ii) Political Stability and lack of Violence;
iii) Quality of the Regulatory Framework;
iv) Government Effectiveness, which includes the quality of policy making and public service delivery;
v) Corruption\(^8\), and,
vii) Rule of Law, which includes protection of property rights and independency of the Judiciary.

This ‘composite’ definition of governance highlights very clearly the potential link existing between quality of governance and growth. Recently this link has been analyzed in detail. A growing body of cross-country empirical research emphasizes the role of poor governance in lowering the standards of living and worsening the distribution of income among citizens (see Figure 1 for a few illustrations).

More significantly, this body of empirical research, presenting results consistent across countries, has challenged the myth that governance cannot be quantified properly. These empirical studies show that it is possible to construct measures of governance, in its various forms, and to link them to economic performance and institutional quality, helping identify the underlying causes of poor governance and pinpoint vulnerable institutional dimensions where reform efforts should concentrate.

From the point of view of practitioners, the key challenge is to understand limits and advantages of the methods currently available and choose the most appropriate one, given their objectives. Time and again, the comparison of alternative methods have been done along few of the possible dimensions, namely, the tools used to collect the data and the data itself. This approach implicitly assumes that the same definition and conceptual framework were used to develop the tools and analyze the resulting data. This is often not the case, and several key dimensions of comparisons have been ignored in the process. We introduce here an analytical framework that comprises four, broadly defined pillars that can be used to evaluate methodologies to measure governance (Figure 2):

(i) the conceptual framework, which helps define the object of the assessment;
(ii) the empirical tools and the sample used for the assessment;

---

\(^8\) We define corruption as the use of the power of public office for personal gain. This definition includes all (and only) activities in which “public officials, bureaucrats, legislators and politicians use powers delegated to them by the public to further their own economic interests at the expense of the public good”, (Jain, 2002). This definition embraces many different forms of corruption from administrative corruption to “state capture” – when powerful groups buy influence and shape the laws to their benefit.
The first pillar focuses on the analytical concepts that should be taken into account at the beginning of the design work. The clear definition of the objective and variable(s) to study is a key step. Only when this definition is clear, practitioners can proceed to develop the empirical tools for the subsequent field work. The second pillar comprises the specific characteristics of the tools used and the field work. The empirical instruments can take many different forms and use different statistical approaches, leading to significantly different types of data on governance. Based on the definition of the final objective, practitioners may choose different approaches and tools.

The ‘implementation’ pillar focuses on the process through which tools are designed and implemented and the data is analyzed. This dimension is often overlooked, while it affects greatly the type and number of outcomes of a governance assessment (see Box 1 for an illustration). For the purpose of capacity building and sustainable monitoring by the country, for example, the implementation process should be fully participatory and should promote partnerships between civil society and the government. If the assessment process is not “owned” by a broad range of stakeholders, it will not be sustained over time nor its findings fed back into the policymaking process. Research objectives and cross-country monitoring, on the other hand, do not need to rely on such fully participatory process for data collection, but require comparable tools and samples for a meaningful analysis.

The final pillar of a governance assessment is the analysis of the information collected. This information can be used, for example, an input for policy-making and public debate. Key at this stage is therefore the choice of technique and statistical tools that can allow practitioners to separate “noise” from “true information” and aggregate meaningfully the data available. Aggregation, if possible, should be carried out without

---

9 Munk and Verkuilen (2001) introduce a general framework for the design of instruments to study complex and multifacet variables, including important steps of conceptualization, measurement and final aggregation of data.

10 A variety of techniques has been recently developed in development and labor economics using multi-source survey data and mix of qualitative and quantitative data. An excellent reference for household survey data is Deaton (1997).
unnecessary loss of information. Thus, it is important to carefully select the method and level of aggregation appropriate for the task at hand. Kaufmann, Kraay and Zoido-Lobaton (KKZ) (1999) uses the method of unobserved components to produce six cross-country governance indicators. Others apply factor analysis technique to distill regional and/or agency-specific information from survey data (Kaufmann, Mehrez and Gurgur, 2002; Kaufmann, Monteriol, Recanatini, 2004). Finally, some researchers chose not to aggregate the data collected but to use individual responses for their analysis. We will present several examples of analytical alternatives using both the “raw” and aggregate data in the next sections.

BOX 1: DIFFERENT OBJECTIVES, DIFFERENT CHOICES

Sierra Leone Governance and Anti-Corruption (GAC) Assessment
The GAC Assessment in Sierra Leone responds to the demand for action on governance received from the former Minister of Presidential Affairs, Mr. Momodu Koroma, on behalf of the President (February 27, 2002). This initiative, in collaboration with DFID, promotes capacity through long-term partnerships between civil society and government and in-depth diagnostics of the quality of governance. To foster collaboration among local stakeholders and successful implementation of the GAC, the government established a Steering Committee (SC), comprising the Governance Reform Secretariat (GRS), representatives from the Vice-President Office, the Anti-Corruption Committee, the civil society, the media, the Central Statistical Agency and donors (DFID, UNDP, EU, WB). The SC focused on designing and implementing three diagnostic surveys (to public officials, households and business people) to assess institutional weaknesses and strengths in the country. The surveys were completed in 2003 by a local firm with the technical assistance of the WB. A widely disseminated report summarized the results and provided the SC with key information for the design of a National Governance Strategy. The Strategy will be presented and discussed at a National Workshop in early 2005.

Corruption Perception Index (CPI) by Transparency International
The Transparency International CPI is a composite annual index that comprises information from business people and analysts about their perception of corruption within a country. First introduced in 1995, the CPI attempts to measure how corruption affects a country's business life. It aims to raise public awareness on corruption and to add pressure to governments to address this issue. In 2003, the CPI included data for 133 countries from 17 different surveys, produced by 13 independent institutions. The CPI includes all countries for which at least three sources are available. All the sources for the CPI’s calculations apply an homogenous definition of corruption: “the misuse of public power for private gains”. Each source uses its own scaling system. The data is then standardized to determine each country’s mean value using a two-step procedure. The final result is an index for each country that takes values between 0 (highly corrupt) and 10 (clean). When using the CPI, comparisons from year to year should be based on scores and not a country’s rank because the rank might change due to the addition or subtraction of new countries to the sample. Although changes in the CPI score might indicate a change in the rating, it also reflects a change in methodology or number of sources available.
http://www.transparency.org/

In sum, a methodology to measure governance is the product of the choices made along each of these four dimensions. Clearly, choices relative to each pillar are influenced by the purpose of the assessment and lead to significantly different types of information. Furthermore, these choices can lead to additional types of outcomes in the process, since knowledge and information are not the only outcome of governance assessments (Figure 3).
Consider, for example, the case of the GAC Assessment in Sierra Leone, described in Box 1. The main purpose of this exercise was to gather data for policy planning. The creation of the Steering Committee and the close collaboration between local stakeholders and international experts for the data collection and analysis ensured in addition the transfer of skills and capacity at the local level. It further promoted dialogue between civil society and the government, and built a broader consensus for policy reform within the government. Moreover, the use of the media (radio and newspapers) and local workshops for the dissemination of the GAC results increased awareness in the country about the issues and the challenges ahead. Thus, the implementation pillar and the use and dissemination of the information collected can affect the types and number of outcomes of a governance assessment.

In the next sections, we concentrate on two of the pillars of our framework – the tools and the analysis of the data — providing a roadmap to compare alternative tools and empirical illustrations based on recent governance assessment efforts.11

3. EMPIRICAL STRATEGIES AND METHODS

One of the key challenges to measure governance has been the choice of the empirical tools. The variety of instruments available to researchers and policymakers range from case-studies of the quality of governance in a country/region to polls and in-depth diagnostic surveys. Several years of analytical efforts have resulted into a wealth of tools and databases. In this section we highlight differences and similarities of the most commonly used instruments using a practical example. We then introduce a comprehensive strategy for governance assessment developed by practitioners at the World Bank.

In the mid-90s researchers begun focusing on the role of institutions and governance. Tools and methodologies to capture and evaluate these novel concepts were developed in a parallel and uncoordinated fashion. As a result, indices and assessments of governance mushroomed. Only within international organizations, we can count today more than 15 alternative tools (see Appendix 1 for a brief overview of each tool). The challenge at this juncture is to understand the limits and strengths of each tool,

---

11 For a detail discussion of the other two pillars, please see Kaufmann, Recanatini and Biletsky (2002).
identifying similarities and synergies. This can be done using the framework and the four pillars introduced in the previous Section.

Consider, for example, the problem facing a researcher trying to evaluate the quality of hospital services in country X: does a tool already exist for this purpose or should a new tool be developed? If more than one tool already exist, which one is the most appropriate? To determine whether a tool already exists for this purpose, the first step is to focus on the conceptual dimension used for the design of the existing tools. Figure 4 synthesizes, in a very schematic way, the institutional arrangements of a country and shows the focus of some of the existing tools frequently used with the World Bank (for a description of each tool please see Appendix 1). In our example, the researcher is looking to evaluate the quality of a specific public service within a country. Thus, a tool like the Quality Service Delivery Surveys (QSDS), that focuses on service delivery agencies, appears to be a possible alternative for the researcher.

The focus and the scope of the assessment are not however the only dimensions to consider while choosing a methodology. The researcher needs also to define the unit of analysis, the type of data needed and the number of sources. In particular, he needs to decide whether a tool such as the QSDS provides all the necessary information for her/his

---

12 An additional, extremely important question is how to develop a new tool for the purpose at hand. This paper does not deal with this issue. For an initial discussion of this issue, we suggest Recanatini, Wallstein and Xu (2000) and Kaufmann, Recanatini and Biletsky (2002).
analysis or whether she/he needs to adapt this tool and integrate it with alternative instruments. She/he needs also to determine whether the data for the assessment will come only from one source or from multiple sources. Finally, the researcher needs to make arrangements about the implementation of the data collection (who? how?), the use of the information and the dissemination of the results of the analysis.

**Figure 5: Linking tools to respondents**

Suppose the researcher decides to focus on the overall quality of hospital services to understand its determinants. Thus, it is important to gather information from both users and providers of this service. To compare tools depending on their unit of analysis and the type of data they allow to gather we can use Figure 5 that attempts to summarize the unit of observation and the type of respondents used by each tool. QSDS gathers detailed information only on facilities and providers of a specific service. Thus, our researcher should use an additional tool for her/his assessment, such as score cards or focus groups to collect data from users.

Finally, our researcher will determine who will be involved in the data collection and analysis. In our example she/he may want to collect and analyze the data her/himself to increase her/his understanding of the mechanisms of the service delivery in country X and of the possible problems that may affect its quality.

This simple example illustrates the many steps and decisions that practitioners embarking in a governance assessment need to take. It also highlights the complexity of such design process and the variety of possible outcomes.

**4. Measuring Governance - An Integrated Approach**

The multi-level empirical approach to governance assessment developed by the World Bank Institute (WBI) combines three essential elements: (i) estimates of six basic dimensions of governance\(^{13}\), covering 199 countries; (ii) quantitative evaluation of the business climate\(^{14}\) in more than 80 countries of the world; (iii) in-country detailed

---

\(^{13}\)aggregated using unobserved components methodology and based on several hundred individual variables measuring perceptions of governance, drawn from 25 separate data sources constructed by 18 different organizations

\(^{14}\)using various micro and macro dimensions of governance based on a survey of more than 10,000 firms
diagnostic surveys of governance implemented simultaneously and based on a representative sample of public officials, enterprise managers, and users of public services.

Because governance exhibits a great deal of variation, each component of this strategy serves a specific purpose, allowing to analyze with different degrees of aggregation and detail: (i) evaluation of governance at the country level along few dimensions comparable across time and country; (ii) assessment of the business environment along a larger set of variables to detect and compare institutional constraints across countries; (iii) in-depth, country-specific analysis of governance mechanisms and determinants using multiple sources of information.

The strategy of bringing together several levels of analysis offers multiple advantages, the most prominent being the complementarity’s of information gathered at each level. The most aggregated indices assess governance along six key dimensions and are used to establish an international benchmark for each country. These indices capture both the effects of mis-governance and the institutional characteristics leading to such outcomes. These cross-country indices are however imperfect tools to design a country-specific reform strategy. In response to these needs, comparative cross-country surveys of the business environment provide more detail information on institutional constraints that may hamper growth. The in-depth country surveys of governance go a step further, exploring the underlying incentive structure and institutional performance of a country using information from three different type of respondents.

Complementarity of the data collected is not the only advantage of this multi-level approach. Each component can help improve the design of the other components and their use for policy purpose. The aggregate governance indicators can help, for example, better target particular modules of the business surveys and detailed diagnostics by “flagging” the essential weaknesses in a country. Furthermore, aggregate analysis can help promote dialogue in a country about these issues, setting the stage for more in-depth work and policy reform.

In the rest of this section we discuss each level of the empirical approach to assess governance. We first focus on the macro-level, looking at worldwide indicators. We then move to the meso-level that provide cross-country in-depth data for a select number of countries. Finally, we look at governance from a micro-level perspective using in-depth country diagnostic tools that are specialized in probing into one country.

a) MACRO LEVEL: CROSS-COUNTRY AGGREGATE GOVERNANCE INDICATORS

The first level of analysis synthesizes many existing measures into six aggregate indicators of governance using the definition introduced in Section 2. This approach uses an unobserved component model to summarize the information drawn from expert polls and surveys and translate it into aggregate indicators.15 This allows to produce estimates

15 The methodology used is documented in detail in KKZ (1999a) and reviewed in KKM (2003).
of: (i) six governance measures at the country level; (ii) confidence intervals (or “margins of error”) for those estimated levels; and (iii) precision measures for each of the individual sources included in the aggregate indicator which estimates how well each measure approximates the aspect of governance that the aggregate indicator measures.

The purpose of this effort is to rank each country in a worldwide comparative context across six key dimensions of governance: (1) Voice and accountability, (2) Political stability and absence of violence, crime, and terrorism; (3) Government effectiveness; (4) Regulatory quality; (5) Rule of law; and (6) Control of corruption. Figure 6 shows the ranking of Control of Corruption for a few selected country.

Figure 6: Control of Corruption - one Aggregate Indicator
(selected countries, for illustration, based on 2000/01 research data)

The governance indicators are based on several hundred individual measuring governance as reported by an enterprise, citizen and expert survey respondents in industrial and developing countries. These surveys are compiled by a number of survey institutes, think tanks, non-governmental organizations, and international organizations (overall, 25 separate data sources constructed by 18 different organizations). This database is currently available for four years. This methodology allows a researcher to position a country relative to others included in the example and measure how robust this relative percentile ranking is by using the confidence intervals on the estimated levels.16

B) MESO-LEVEL: CROSS-COUNTRY UNBUNDLED GOVERNANCE MEASURES

16 Note, however, that they are not informative about global trends.
While they contain useful information from an aggregate point of view, governance indicators tend to hide the potential richness of more focused and unbundled data. The next level of analysis explores what particular governance structure and characteristics lead to the business environment observed in a country. In particular, the firm level cross country data gathers information on the recent developments in institutional quality, performance and constraints in the public and private sectors from the perspective of the firm. This information is collected through face to face interviews to managers and senior accountants.

These surveys provide a comprehensive snapshot of institutional constraints imposed by policy instability and uncertainty; taxes and regulations; inflation, price and the exchange rate instability; finance; governance, the legal system, corruption and state capture; and the quality of public services, including infrastructure. The information makes it possible to generate important insights on policies and institutions contributing most to economic growth and reducing poverty. At the same time, the analysis of existing constraints captures their various facets along such dimensions as size of a firm, type of ownership, and region of a country (see Figure 7 for an illustration). This gives an opportunity to unbundle generalizations regarding the severity of a particular constraint and to fine-tune the policies and regulations.

A variety of instruments are used to collect data for this purpose.
1) *World Business Environment Survey (WBES)* \(^{17}\)
The WBES is an effort that seeks to assess the state of the enabling environment for private enterprise in countries around the world. It has been administered to enterprises in about 80 countries and to at least 100 firms per country. The WBES utilizes a standard survey methodology to collect information on governance that can be compared across countries and over time. It provides a basis for regional comparisons of investment climate and business environment, as well as of the severity of constraints affecting enterprise.

2) *Transition Economies Enterprise Survey (BEEPS)* \(^{18}\)
The Business Environment and Enterprise Performance Survey (BEEPS), developed jointly by the World Bank and the European Bank for Reconstruction and Development, is a survey of managers and owners of firms across the countries of Eastern Europe, the former Soviet Union, and Turkey designed to generate comparative measurements of the quality of governance, investment climate, firm characteristics and performance. Up to present, two rounds of the survey had been conducted: 1999/2000 and 2002.

3) *Global Competitiveness Report (GCR) or Executive Opinion Survey (EOS)* \(^{19}\)
The Global Competitiveness Report is a comprehensive data source on the strengths and weaknesses of leading economies of the world. The GCR has been published annually since 1979 and has expanded its geographic coverage over the years to over 100 economies. The Report is an authoritative tool to help develop an economic framework that supports private investment, entrepreneurship and social progress. The Report uses two complementary indexes to assess a country's potential for growth: the Growth Competitiveness Index (GCI) and the Microeconomic Competitiveness Index (MCI).

In sum, specific firm level data can bring forward detailed information on the quality of public institutions, corruption and state capture, government services, and regulatory environment in a country. Additionally, the mezzo level cross country assessment can play a role in monitoring governance reform from the point of view of the firms. However, in order to design a reform plan, this data has to be complemented with detailed information on ordinary citizens and public officials. Such combined data sets, described in the next section, can be extremely informative because they provide a comprehensive image of the existing weaknesses and strengths of a country.

**C) MICRO LEVEL: IN-DEPTH INSTITUTION-SPECIFIC COUNTRY DIAGNOSTICS**

\(^{17}\) For further information: [http://info.worldbank.org/governance/wbes/](http://info.worldbank.org/governance/wbes/)


\(^{19}\) For further information: [www.weforum.org](http://www.weforum.org)
The limitations of single source cross-country data have pushed practitioners to develop a comprehensive approach that can be used for the design of specific reform policies. This approach focuses on a multiplicity of stakeholders, such as public officials, households, and business people. Its objective is to gather specific, objective information about strengths and weaknesses within the country's institutions and uses it as an input to concrete anti-corruption strategy in the country level.

The key instruments used are detailed, country-specific surveys of thousands of households, business people and public officials. These tools are designed to provide the basis of technical discussions for policymakers and civil society for policy formulation, complementing the traditional sources such as experts’ opinions or case study analysis. Because of the analytical rigor of the methodology used, these diagnostic surveys can lead to a non-political debate on concrete reforms to improve governance. Furthermore, the combined surveys of households, business people and public officials permit triangulation and consistency checks of the results. These specially designed surveys utilize experience-based (rather than ‘opinions’) type of questions, thereby reducing the element of perceptive subjectivity, and are designed following a broad governance and service delivery conceptual framework.

The responses of public officials to very specific questions on governance in their agencies are especially useful and are making a difference in persuading political establishments to take difficult reform decisions. The analysis developed with this approach can also help build consensus among key stakeholders, who are encouraged to make use of the results to promote a constructive debate on real institutional reform for better governance. In addition, the surveys can be used to establish quantitative benchmarks for subsequently monitoring the success of institutional reforms already underway, and, if necessary, to redirect them to concentrate efforts on priority areas.

The design and implementation of diagnostic surveys allow to achieve a variety of objectives:

(i) measure economic and social costs of poor governance
(ii) unbundle corruption into different forms
(iii) identify specific institutional weaknesses and priority areas for reform
(iv) provide information on the country’s underlying institutional structure and explaining why some institutions are more vulnerable than others to corrupted activities
(v) foster learning through the close collaboration between external experts and local counterparts;
(vi) promote long-term, sustainable partnerships between government and civil society; and
(vii) obtain an initial benchmark of governance and public sector performance.

These objectives are achieved by surveying simultaneously public officials, enterprise managers, and users of public services. The responses of these three groups of stakeholders are compared for consistency and pooled to facilitate in-depth analysis and
identification of priorities for action in the area of governance. By ‘triangulating’ the responses of public officials with those of users, more reliable measures of public sector performance and institutions can be obtained. Further, as the number of diagnostics studies around the world grows, an additional international perspective is provided by comparing the results of separate country diagnostic surveys.

The rationale behind each survey is the following

- **Public Officials Survey.** This survey gathers information of public organizations and their practices from the point of view of the people working there. Public official responses can reveal crucial information about the structure of incentives and degree of enforcement within the public sector, the existence and use of accountability mechanisms, the quality of rules and procedures, the degree of transparency of budget and employment decisions, and the overall quality of management.

- **Business Survey.** This survey focuses on the business environment, with especial emphasis on the effects of public sector governance and corruption on private sector development. It examines the firms’ roles as users of public services, subjects to regulations and rules for licenses and permits. Special attention is given to the functioning and effectiveness of the judicial system.

- **Household Survey.** Citizens are targeted in their roles as users of public services, and clients for licenses and permits, with special focus on health care and education. The survey focuses on the quality of public services and the experience that citizens have with inappropriate procedures and behavior, the information available on basic rights and accountability mechanisms.

These in-depth diagnostic surveys have been completed in several countries in partnership with bilateral agencies and NGOs\(^{20}\), while in other countries the implementation of these diagnostic surveys is on-going\(^{21}\). Similar governance surveys have been implemented by local NGOs in Poland, Bulgaria, Bangladesh, India, South Korea, and South Africa.

5. THE IMPLEMENTATION PROCESS: PARTICIPATION AND CAPACITY BUILDING

The selection of the empirical tools usually play a central role at the early stages of the design of a governance assessment. However, these tools are only one of the dimensions that should be taken into account. The implementation process, in its various components, is another important dimension along which governance assessments can

\(^{20}\) Bolivia, Honduras, Colombia, Paraguay, Ecuador, Peru, Latvia, Romania, Georgia, Albania, Slovakia, Ghana, Thailand, Cambodia, Sierra Leone.

\(^{21}\) The city of Sao Paulo, Guatemala, Bosnia Herzegovina, Kazakhstan, Kyrgyz Republic, Benin, Ethiopia, Guinea, Malawi, Mozambique, Nigeria, Uganda, Zambia, Indonesia.
vary and serve different purposes. In particular, at the implementation stage practitioners need to address the following issues:

- **Questionnaire development and design**: A participatory process? Based on focus groups and consultations?
- **Sample design and sources**: Random or stratified sample? Use of official sources or informal ones?
- **Interview methodology**: Face to face? By phone or by mail? Multiple visits?
- **Piloting**: Implemented and supervised by whom?
- **Field work approach**: Involvement of local governments? Use of leaflets to illustrate the purpose?
- **Survey firm**: Local? International? A single firm or a consortium?
- **Enumerator training**: Implemented locally? Classroom training? Mock interviews? Field practice?
- **Type of quality checks and control**: Accompanied interviews? Call backs? Visual checks?

The answer to these questions determines the type of data and outcomes of a governance assessment (see Figure 3). It also influences the likelihood of the implementation of reforms based on the assessment and their sustainability. To design a policy to improve governance is only one side of the coin. The policy needs to be implemented and progresses need to be monitored. Implementation and monitoring require sustain effort and support, often over the medium-long term. A large literature exists on such challenge and the political economy of reforms. This issue is especially relevant for governance and anti-corruption reforms, which often aim to altering significantly the distribution of rents and power in a country.

Field experience in several countries suggests that building coalitions between civil society and government is an important element for sustainable and successful reform design and implementation. Opening channels through which civil society and government representatives can demand greater accountability from each other promotes a citizen-government dynamic that will substantially buttress reforms. Furthermore, to design diagnostic tools and disseminate the results of the assessment via broad-based workshops reinforce the coalition-building process, helping different stakeholders to participate to the design of policy reforms.

This empirical observation is supported by recent political economy studies. The political economy literature has increasingly focused on understanding the factors affecting the “demand” and the “supply” for changes and reforms. In the long run the main factors triggering the demand for (institutional) reforms appears to be learning and the accumulation of knowledge (North, 1990). On the supply side, instead, this literature emphasizes the challenge posed by special interest groups and societal interests in the design and implementation of policies, that can lead to collective action problems. A few

---


23 Among the others, please see Bardhan (1997), North (1990), Olson (1965) and Graham- Naim (1998)
solutions have been suggested to address these issues: empowerment of the beneficiaries of the reforms; coalition building and active participation of the relevant stakeholders in the policy process (design, implementation and monitoring); public information campaign and knowledge dissemination on the reforms; focus on incentive structures rather than organizations and people.

**Figure 8: WBI approach to governance assessment and action planning**

The WBI in-depth country diagnostic approach, described in detail in the previous section, tries to translate into practice the intuitions of economists and political scientists: focus on incentives, learning, and coalition building are the key elements to promote demand for reforms and ensure that these reforms will be implemented (Figure 8). The starting point of these in-depth diagnostics are a formal request of assistance from the government and its commitment to a participatory and transparent process.

The design and implementation of reforms rely on broad-based participation, involving all government branches, civil society, financial sector institutions, and the business community. Such broad participation can be ensured and sustained through the creation of institutionalized partnerships between the government and local NGOs. These partnerships encourage a more integrated and collaborative debate between government and civil society stakeholders over the policy making process. In addition, a fully participatory approach adopted from beginning to end promotes a wider sense of ownership of the process and resulting policy, guaranteeing a true integration of the results into policymaking and greater long-term monitoring capacity.²⁴

**[Box on Honduras?]**

This participatory design process is complemented by the rigorous data collection and analysis. The surveys of public service users, business people, and public officials help gather specific and objective information on institutional weaknesses within a country to identify areas for reform. This analytical exercise is intended to form the basis

---

²⁴ Participation and voice are vital in increasing transparency, providing for the necessary external accountability mechanisms and thus for checks and balances which even the best devised internal accountability rules and systems within government cannot fulfill completely (or even in part, often enough, and in particular— but not only— where state capture prevails). One ought to keep in mind that transparency-enhancing mechanisms involving a multitude of stakeholders throughout society can be thought as creating millions of ‘auditors’. Indeed, such external accountability mechanisms, which often also include very activist media involvement, are transparency-enhancing, in turn supporting a change in the incentive structure of institutions that are monitored.
of technical discussions on the actions needed to improve governance and can lead to a non-political debate on concrete reforms to improve governance. Furthermore, the experiential and detail data focuses the debate on institutions, not individuals, de-personalizing the problem and facilitating the reform process.

The emphasis on capacity building and sustainability is another novel element of this approach. Differently from other types of assessment, the data collection and analysis are carried out locally. This promotes capacity building at the local level, which is especially relevant for the sustainability of the reforms. The ability to monitor on a regular basis governance and its impact on poverty alleviation efforts is a priority for developing countries that aim to strengthening the effectiveness and responsiveness of their government. This monitoring activity requires a multi-disciplinary national capacity, both human and institutional, which is weak in many developing countries.

**Box 2: An Example of Capacity Building Using Governance Diagnostic Tools**

The Governance Capacity Building and Monitoring Initiative responds to the demand for action on governance and capacity building in selected countries. This Initiative, developed by WBI and the Development Economics Group (DEC), promotes learning through the creation of partnerships between National Statistical Systems (NSS) and civil society, and in-depth diagnostics of the quality of governance (from data collection to analysis and policymaking). The joint design and implementation of the diagnostics serves as a tool to build local capacity in governance analysis and monitoring. It also forms the basis for a medium- to long-term strategy for building statistical capacity in governance measurement and monitoring.

In each of the six pilot countries, the project components will include:

- **A preparatory phase** that will identify and recruit the project team and develop a detailed work program.
- **A "partnership-promoting" phase** in which the selected team will facilitate the coordination of the different national stakeholders involved in the process.
- **A development phase** that will include (i) the assessment of existing institutional weaknesses, (ii) the design and revision of diagnostic instruments to collect governance data, and (iii) the training of staff to carry out the required field work.
- **A fieldwork phase** where the governance data will be collected, using the various instruments developed in Phase 2. This Phase will include sample design, fieldwork as well as data capture and coding, and will be carried out jointly by local and external experts.
- **An analytical phase**, where the data collected in Phase 3 is analyzed. This in-depth analysis, carried out jointly by the Bank team and local team, will led to the completion of a policy report in the area of public sector and governance reform;
- **A dissemination phase**, in which the available datasets are disseminated to local and central governments and research agencies using real time data access and electronic media. The development of internet sites for further data access and dissemination will be promoted and a series of seminars and training activities will be organized on the use of the data in the policy making process.
- **A monitoring phase**, where monitoring activities of governance performance will be institutionalized through ad-hoc, quick, targeted surveys and indicators developed by the local stakeholders.

The use of empirical and diagnostic tools as a mean to build local capacity is not a novel approach. Living Standards Measurement Surveys (LSMS) have been employed in many countries to build national capacity to analyze social policy.\(^\text{25}\) The case study evidence suggests that building analytical capacity requires explicit planning, significant

---

\(^{25}\) Blank and Grosh (1999) provides a detail review of the experience of five countries in terms of four aspects of capacity building – training, technical assistance, research and recruitment.
time and money, open access to data and strong support from policy makers. WBI experience in the governance area highlights the importance of complementing this approach with (i) long-term, institutionalized partnerships between the government and civil society, (ii) use of new e*tools and participatory workshops to foster wider data dissemination, and (iii) action learning activities.26 The experiences of countries such as Bolivia, Georgia, and Latvia show how it is possible to successfully progress from diagnostics to concrete, participatory action plans, while improving local analytical and policy capacity in the process.27 A further example of such approach is the Governance Data Capacity Building and Monitoring Activity described in Box 2.

6. ANALYSIS AND USE OF THE DATA

The previous section introduced the integrated approach to governance assessment developed by the World Bank Institute. In this Section, we focus on the potential policy outcomes of such approach. As emphasized before, the main objective of this methodology is to provide information to practitioners that is relevant for policy purpose. The multiple levels of analysis and the analytical depth of the WBI approach is based on the observation that a set template of reforms applied uniformly to all countries is unlikely to bear fruit. Cross-country experience suggests that governance priorities vary significantly from country to country and within country, supporting the need for in-depth analysis and tailored policy measures.

In-depth diagnostic surveys can be especially useful for policy purposes. The specificity of the information used for policy design and the analytical rigor for the data collection and analysis permit an in-depth assessment of the quality of governance across the major institutions, providing a detailed map of institutional weaknesses and strengths. This helps identify specific priority areas for reform, facilitating the policy design at the country and regional level.

The use of in-depth diagnostic surveys also permits distancing from the common pitfall of individualizing the challenge of governance by focusing instead on institutional strengths and weaknesses. To have an impact, the policy design approach needs to be more systematic, focusing on transparency and incentives in order to enhance prevention – rather than merely focusing on enforcement rules, passing laws, or indicting a few individuals.

Next, we present a few illustrations of the data collected using this approach to measure various aspects of governance. Applications are not limited to empirical research and policy advice. We rely on questions capturing the most general aspects of

26 For more detail on the Interactive Web-tools developed by WBI for web-learning and capacity building, please see http://info.worldbank.org/governance/.
27 In Bolivia, civil service and procurement reform are being emphasized, while in Latvia, tax and customs reform have become priority items on the national agenda. In cities such as Campo Elias, Venezuela, and Ternopyl, Ukraine, the combination of the evidence from a recent governance survey and collective action by civil society is leading to improvements in local government effectiveness, a greater "voice" for citizens in government decisions, improved government accountability to citizens, and better provision of public services.
governance and extent of corrupt practices as reported by households, enterprises and public officials. The definition of governance emphasizes three areas that determine how well authority in a country is exercised: selection of personnel in governmental agencies, efficacy of public budget procedures, and trust of population to government institutions.

The data shed light on the institutional environment, which shapes the behavior of public officials in personnel and budget administration. By using the evidence from three countries in Latin America on the decision making process within state agencies, we illustrate how detail information can help focus on institutionalized practices of governance in public sector. For example, public officials report that the decision making process in public agencies is politicized and based on private connections leading, therefore, to inefficient outcomes in the administration of public resources (Figure 9).

The surveys also investigate the level of trust of citizens with respect to various public agencies. Trust of citizens is a \textit{sine qua non} condition of any legitimate government. However, as Figure 10 demonstrates for public institutions in Guatemala, only a small percentage of citizens in this country believes that public agencies are honest. This lack of trust is consistent among different groups of citizens – households and public officials, in this case – suggesting the severity of the problem.
Corrupt practices are viewed as one of the most harmful manifestations of mis-governance. In many countries, the majority of respondents identifies corruption as a top socio-economic challenge and regard it as one of the most serious obstacles to business development. The survey instruments provide various measures of corrupt behavior. To illustrate general perceptions of respondents we present in Figure 11 the answers of households, and public officials from Sierra Leone to the question which is the most serious problem (among a given list). Even though the perceptions may not reflect actual levels of corruption, the responses are consistent across different categories of respondents, showing that the population overwhelmingly sees corruption as a major problem, which matters for economic development.

The survey data also make possible to go beyond the general diagnostics of the problem, and offer insights on what drives the “wheel” of corruption. Ineffective monitoring mechanisms is one of the factors that increase corruption in state agencies. Public officials report that procedures to report corruption are flawed across several dimensions. For all countries in Figure 12, on average more than half of public officials say that reporting corruption is complicated, unsafe, and that the mechanisms to report are politicized. The evidence also shows that the majority of users who paid a bribe were either urged to pay by public officials or felt obliged to do so.

**Figure 11: Corruption – one of the most important challenges**
(Sierra Leone, 2003)
(% of respondents reporting that these are very serious problems)

<table>
<thead>
<tr>
<th>Problem</th>
<th>Household</th>
<th>Public Official</th>
</tr>
</thead>
<tbody>
<tr>
<td>High cost of living</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corruption</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure / Quality of roads</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Safety concerns / delinquency</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Figure 12: Vulnerabilities of Corruption Reporting - Complaint Mechanisms**
(as reported by public officials; various countries, 1999-2001)
so because they believe it is the appropriate way to obtain a service (Figure ??, Appendix).

**THE MANY FACES OF CORRUPTION**

In-depth surveys of governance can help unveil various forms of corruption: (i) administrative corruption (e.g. bribes to obtain better public services); (ii) corruption in procurement (e.g. bribes to obtain public contracts); (iii) nepotism and purchase of public positions; (iv) diversion of public funds and embezzlement of assets; (v) state capture and influence peddling, by providing measures on different dimensions of each form. The general outlook on several types of corrupt behavior in public administration, corruption in public procurement, and provision of public services as viewed by different categories of respondents is presented in Figure 13.

The data allow to evaluate general levels of corruption in public sector by examining the responses of firm managers, private citizens and public officials across five countries, as well as to single out the most harmful types of corruption. Each country faces a serious governance challenge. However the most endemic type of corruption is different in each one. **Corruption in public procurement** is extremely serious in Ecuador and Peru. On the other hand, **bribes to purchase public positions**, viewed as leading to more bribery because of the potential rents associated with a public position, are more frequent in Sierra Leone.

**Figure 13: Extent of corruption**

<table>
<thead>
<tr>
<th>Category</th>
<th>Peru</th>
<th>Colombia</th>
<th>Honduras</th>
<th>Ecuador</th>
<th>Sierra Leone</th>
</tr>
</thead>
<tbody>
<tr>
<td>% firms report bribes used frequently in public contracts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% users report bribes used frequently in public services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% firms report bribes used frequently in public services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of public officials report frequent purchase of positions in their institutions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of public officials report frequent public funds mis-management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

One of the key functions of public agencies is delivery of services to citizens. Bribery however can limit access of poor to public services, imposing additional regressive tax on users, and, as demonstrated later, reduces incentives to provide services...
of high quality. In countries like Sierra Leone this is a mammoth challenge (Figure 13). For the other countries, on average, one tenth to one fifth of individual users and enterprise managers report they were asked to pay a bribe when trying to obtain a public service. Public officials provide a similar answer, when asked about their institution, and report that bribes for a service are common in their agency.

However, public agencies are not all equally tainted with corruption. There is a significant heterogeneity within the government. As the surveys focus on public agencies rather than on individual respondents, it becomes possible to explore this heterogeneity by stratifying responses. For example, Figure 14 focuses on alternative types of corruption as reported by public officials employed in different public agencies in Honduras. Municipal agencies face a greater challenge than other state agencies in terms of awarding public contracts and mismanagement of public funds. On the other hand, the judiciary struggles to deliver public services. This information allows to recognize that public officials working in different agencies observed different levels and types of corruption. Such breakdowns across various dimensions can provide invaluable information on the institutional development of a country, especially when considering or evaluating the results of a decentralization process.

Firm managers provide additional information on corruption in public services. Though about 20 percent reports that bribery in provision of public services occurs frequently (Figure 13), not all of services are affected equally. The surveys allow to identify the services for which bribery is more frequent. Figure 15 reports managers’ responses for different public services in Zambia. The complete list of public services consists of 18 items. The surveys also provide information on the level of satisfaction with a service, the incidence of bribe extortion from public officials, and the amount of bribes paid for each service. Figure 15 highlights that business people, which frequently use services where rent-seeking practices are common, systematically incur additional costs equivalent to an implicit tax. In the case of Zambia, this is especially true for dealings with traffic police, the Land Department and the National Registration Office.
The experiences of firms with bribery are not limited to public services. Corruption distorts regulatory environment, and enterprises are forced to pay just to continue their business. This type of bribery can take different forms: payments to facilitate judiciary procedures, obtaining contracts with state entities, updating tributary situation, and processing various licenses and permits. Each form of corruption highlights a precise institutional weakness that could be addressed by an appropriate policy change. As shown on Figure 16, firm managers report that the process of obtaining various permits and contracts with state agencies, as well as judiciary procedures are the public transactions that most often require a bribe to be completed.
Corruption and bribes in procurement. Rent-seeking behavior of public officials becomes especially harmful if in exchange for a bribe firms receive public contracts. As the amount of kickbacks is on average between 10 to 20 percent of the contract awarded, the practice is not only often considered as a large scale case of corruption but also the one that distorts efficient allocation of resources. The survey permits to identify agencies, level of government, and regions where bribes to obtain public contract are more pervasive. Figure 17 by exposing direct experiences of public officials in different government agencies shows that frequently local agencies are more susceptible to such type of corruption.

Diversion of public funds. Experiences from public officials offer another illustration of intra-agency aspects of corrupt practices. Candid responses of public servants with information on institution and location, where the interview took place, make possible to track the regional and institutional patterns of corruption. Like in procurement, municipal agencies are among the most overrun with the cases of embezzlement in many countries.

The influence of the elite, i.e. State capture (Figure 18). The capture of state by powerful private interests stalls off the social and economic development of entire countries. To detect the signs of “grand” corruption the survey distinguishes several key governmental agencies, whose decisions could influence legal environment. These include the Parliament, officials of the Government and municipal authorities, various...
regulatory agencies, higher judiciary authorities, and Central Bank. This type of corruption came first to the attention of policymakers in the wake of the transition process, especially in countries such as Russia and Ukraine. More work and research has been done since then, using especially the data from firm level surveys, across many countries. The evidence on Figure 18 concentrates on the data for Peru to offer an illustration that State Capture is not a problem limited to transition economies. More than a half of public officials in Peru believes that interest groups have the ability and do influence legislature, judiciary, local authorities, high level officials and regulatory agencies.

Sometimes, State Capture is disguised as legitimate political contributions from private firms and citizens to political movement or a party. In this connection, of interest are the extent of such practices and the perceptions of respondents about gains received from such donations. The survey of enterprises asks business people if in their opinion private firms benefit from providing financial political contribution to a candidate. Figure 19 summarizes the results for three Latin American countries: a significant proportion of managers in Colombia and Honduras believe that political contributions are frequent and that private firms benefit from contributions they made.

**Costs of Mis-Governance and Corruption**

The growing body of empirical research has emphasized the key role of poor governance and corruption in lowering the standards of living and worsening the distribution of income among citizens (The Quality of Growth, 2000). The channels through which corruption influences development include detrimental effects on poor, lower investment and growth, lower quality and accessibility of public services, such as health care and education. To illustrate the importance of data on governance in this context we provide examples of the link between mis-governance and economic outcomes.

There are several mechanisms through which corruption influences well-being of poor citizens. First, corruption contributes to discrimination of people in terms of access to public services. By examining cross-country evidence from the surveys of users, we conclude that the costs of corruption, in addition to the cost of illegal payments, materialize in a number of users who give up applying for a service as they can not afford
a bribe. This influences negatively social development because poor citizens are restricted from using basic services such as health care and education. The user survey includes a list of public services that citizens decided not to use because of different reasons, among others - high extra official payments. Figure 20 reports the percentage of discouraged users in Zambia who decided not to seek a specific service, though needed, because they could not pay the associated bribe.

**Figure 20: Corruption imposes barriers to access basic social services (Zambia 2003)**

There is also abundant evidence that corruption affects the poorer citizens disproportionately. If an amount of bribe is measured relatively to income it turns out that the costs of corruption are not even across all categories of citizens. The empirical evidence from Sierra Leone suggests that for the majority of public services corruption penalizes excessively the poorer and more vulnerable citizens, acting as a regressive tax on users of public services (Figure 21). That is, the low

**Figure 21: Corruption increases inequality**
income users pay the relatively higher bribes to obtain any public service.

**Investment and Growth**

It has been empirically shown that corruption and poor governance affects the business climate negatively, leading to lower investment and growth. The survey data also provides the illustration of this mechanism of negative influence on development. In Ecuador, for example, enterprises were asked whether or not they had decided against carrying out an investment that they had previously planned to undertake. It turns out that those enterprises most burdened by bribes are also those whose investment was discouraged: foreign firms being among those especially badly hurt by corruption (Figure ?? in Appendix).

**Quality and Accessibility of Public Services**

The costs of poor governance materialize not only in revenue losses and additional taxes on citizens. Poor governance also results in problems with public service provision and accessibility. That is why, the measures of quality and accessibility of public services to users are important indicators of general performance of public sector as well as each institution in particular. The data from surveys of public officials in various countries suggest that in many agencies as little as half of respondents reports that public services provided by their organization are accessible to poor. Figure 22 illustrates these data on country basis: in such countries as Cambodia, Paraguay and Bolivia, on average, only about 50% of public officials indicate that services are accessible to poor.

A further dimension of public sector performance is the quality of services provided by each public agency. Figure 23 uses the survey data from Zambia and provides a general outlook on the quality of public services from the point of view of households and business people. The Zambia Commercial Bank and the Postal Service rank quite high in term of quality of the service provided. Agencies such as the Pension Office, the Traffic Police and the Public Health Services, instead, are rated quite low in term of quality by both households and business people.
Another way to approach the problem of quality is to look at it in connection with bribery (Figure 24). We combine the data from the public officials survey in Peru into the indices of service quality and bribery aggregated by agency.

**Figure 24: Indices of Service Quality and Bribery**  
(based on public officials' responses, Peru; 2001)

Note: Each dot on the graph represents data aggregated for one public agency. Indices of bribery and service quality rate the agency’s quality of service and level of bribery on the scale from 0 to 100. The equation of the fitted regression line is: $Y=95.2-1.02*X$
Figure 24 shows the scatter plot of service quality versus bribery, where each point represents an agency. As indicated, there is significant negative correlation between bribery and service quality suggesting that paying a bribe will not guarantee a better quality. In addition, this evidence suggests that quality of public services varies not only across countries but even to the larger extent across agencies, with some institutions exhibiting greater effectiveness than others. At the same time, because bribery does not result into higher quality of service, lower income users are penalized even further.

Figure 25: Provision of Public Services
(as reported by public officials; various counties, 1999-2001)

![Bar chart showing percentages of public officials reporting services provided at relatively low prices and that satisfied the demand across Bolivia, Colombia, Honduras, Paraguay, and Peru.](image)

Note: The original responses ranged from 1("completely disagree") to 7("completely agree") and the percentage of those who agree includes categories 5-7.

The survey included a number of questions that allow to measure various aspects of service provision. These aspects include public officials’ evaluations of prices, quantity, and formality of rules that regulate service provision. Using these measures, we compute percentages of public officials, who agreed with the statements that a service at their institution was provided at relatively low prices and that it satisfied the demand of users. The responses of officials from 5 countries are summarized in Figure 25. As shown, in such countries as Bolivia and Paraguay only about 40% agreed with these statements. This information together with the data on agencies can help to define vulnerable institutions and suggest priorities for policy-makers.

Additionally, it is known that the quality of regulations as measured by simplicity, clarity, stability and strict implementation of rules is an important determinant of institutional performance. The survey to public officials employs several questions that capture the quality of the regulatory framework in personnel, budget and service management. One of these questions measures the formality of rules in service provision. Figure 26 shows percentages of public officials in each country who agree with the statement that public service in their

Figure 26: Public Services are Provided According to Informal and Non-Written rules
(as reported by public officials; various counties, 1999-2001)

![Bar chart showing percentages of public officials reporting services provided according to informal and non-written rules across Bolivia, Colombia, Honduras, Paraguay, and Peru.](image)

Note: The original responses ranged from 1("completely disagree") to 7("completely agree") and the percentage of those who agree includes categories 5-7.
institution is provided according to informal and non-written rules. In all countries more than 20% (and up to about 40%) of public officials agree with this point of view.

**FOCUSING ON SPECIAL AREAS: HEALTH CARE AND JUDICATURE**

The in-country detailed diagnostic surveys can be easily adapted to local conditions and needs, for example, to include a group of questions or a special section to study particular sectors, where corruption is known to have the most detrimental effects on development or which play important role in shaping regulatory environment, such as judiciary branch of power. The next two figures illustrate the power of data from the sections devoted to health care services and judiciary.

**Figure 27: Corruption Restricts Access to Medical Services: Discouraged Poor Users Due to Bribes**

(as reported by public service users, 2001-2004)

As mentioned before, high bribes restrict access to public services for poor users. The phenomenon is particularly pernicious if it is observed in such essential service as health care. However, as Figure 27 illustrates for Peru, Romania and Zambia, corruption indeed hinders access to health care. In addition, often the percentage of those not using medical services because of high bribes, like in Romania, among the high income is much lower than among the low income respondents.

Developing countries often suffer from the lack of strong law enforcement. The judiciary is frequently overrun with corruption and fails to address basic needs of citizens. The lack of credibility about the effectiveness and fairness of the judiciary system discourages households from using formal judiciary system and leads to a wide use of alternative conflict resolution mechanisms, which is the sign of a weak judiciary. The survey data indicates that in Peru about 30% of respondents who had to resolve a dispute during two past years used some alternative mechanism instead of formal judicial system – the fact that clearly shows the deficiency of judiciary in the country.

**COUNTRY SPECIFIC INDICES OF PUBLIC SECTOR PERFORMANCE – A BRIEF DESCRIPTION**

The country-specific, survey data described in the previous section can be used for in-depth analysis at the agency-level. The data collected provides a wide range of information about governance, corruption and service delivery across key, pre-selected institutions within a country, based on public officials’ responses. This data can be analyzed to evaluate the quality of governance across agencies to identify both weak institutions (in need of reform) and strong institutions (examples of good governance),
and to unbundle corruption in its various forms – such as administrative corruption, state capture, bidding, theft of goods and public resources, purchase of licenses and regulations. Furthermore, this information helps assess the costs of each type of corruption on different groups of stakeholders, providing key inputs for policy recommendations.

This agency-level analysis follows the approach introduced by Kaufmann, Mehrez and Gurgur (2000) for Bolivia using similar survey data. Their approach allows to minimize respondents bias and measurement error due to individual differences in perceptions using factor analysis technique\textsuperscript{28}. Intuitively, this technique permits to summarize individual public official’s responses by the institution where the respondent works. The outcome of this procedure is a set of governance indices for each public institution of the country analyzed. This information can be further aggregated by the location of the institution. This attempts to capture the idea of geographical differences in quality of governance and corruption, and to exploit possible variations for similar agencies.

To construct the indices for the analysis, we first re-scale the individual responses and synthesize them into agency indices using a factor analysis technique. In particular, all questions about individual perceptions, which can be scaled from 1 to 7 (or 1 to 5) in the original survey, are rescaled from 0 to 100, in order to facilitate percent interpretation (0 always meaning the lowest level of quality of governance, corruption, access or service performance). We construct then several variables intended to capture different aspects of the quality of governance, the presence of corruption within the institutions and the access and availability of public services provided to the citizens.

The resulting agency-specific indices can be calculated by country, by region and by city, depending on the information available and the objective of the analysis. Tables 1 and 2 provide the definitions of the governance and corruption indicators that can be constructed. Table A1 in Appendix 3 gives a detailed list of all survey questions used in the construction these variables.

Table 1: Definition of Agency-specific governance indicators

<table>
<thead>
<tr>
<th>Governance variable</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACCESS TO THE POOR</td>
<td>Access by poor citizens to the public service provided by the institution, as reported by public officials. High numbers imply greater levels of access</td>
</tr>
<tr>
<td>AUDIT MECHANISMS</td>
<td>Percent of cases where the decisions on personnel, budget and service management are subject to external and/or internal audits.</td>
</tr>
<tr>
<td>ENFORCEMENT OF RULES</td>
<td>Frequency with which rules/guidelines/regulations in the personnel, budget and service management are strictly monitored and enforced.</td>
</tr>
<tr>
<td>MERITOCRACY</td>
<td>Frequency with which decisions on personnel management issues are based on professional experience/merit/performance or education levels.</td>
</tr>
<tr>
<td>MISSION</td>
<td>Index determining the degree of understanding of agency's objective and own tasks</td>
</tr>
</tbody>
</table>

\textsuperscript{28} To test the robustness of our approach, we also calculate agencies indices of governance as mean values of the individual responses. We then use these mean-value indices at the regression stage and correct for potential bias introducing analytical weights. The results of this procedure are presented in Appendix 1.
Table 2: Definition of Corruption indices.

<table>
<thead>
<tr>
<th>Index</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>OVERALL CORRUPTION INDEX</td>
<td>Corruption index comprising four type of corruption: bribery over regulatory/legal decisions, bribery over public contracts, corruption in personnel management and corruption in budget management.</td>
</tr>
<tr>
<td>CORRUPTION IN PERSONNEL MANAGEMENT</td>
<td>Corruption index representing the percentage of cases where decisions on personnel management are based on unofficial payments (job purchase).</td>
</tr>
<tr>
<td>CORRUPTION IN BUDGET MANAGEMENT</td>
<td>Corruption index representing the frequency within the institution of irregularities/diversion of funds or any other type of budget abuse.</td>
</tr>
</tbody>
</table>

Table E.1. Governance and Corruption Indicators by Province

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Province</th>
<th>Whole Country</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Central</td>
<td>Copperbelt</td>
</tr>
<tr>
<td>Overall Corruption</td>
<td>24</td>
<td>27</td>
</tr>
<tr>
<td>Administrative corruption</td>
<td>25</td>
<td>31</td>
</tr>
<tr>
<td>State Capture</td>
<td>18</td>
<td>21</td>
</tr>
<tr>
<td>Corruption in budget</td>
<td>36</td>
<td>44</td>
</tr>
<tr>
<td>Corruption in public contracts</td>
<td>37</td>
<td>34</td>
</tr>
<tr>
<td>Corruption in personnel</td>
<td>14</td>
<td>24</td>
</tr>
<tr>
<td>Corruption in personnel (2)</td>
<td>41</td>
<td>41</td>
</tr>
<tr>
<td>Accessibility for poor</td>
<td>69</td>
<td>63</td>
</tr>
<tr>
<td>Audit Mechanisms</td>
<td>64</td>
<td>63</td>
</tr>
<tr>
<td>Enforcement of Rules</td>
<td>56</td>
<td>49</td>
</tr>
<tr>
<td>Politization</td>
<td>38</td>
<td>42</td>
</tr>
<tr>
<td>Quality of Rules</td>
<td>60</td>
<td>54</td>
</tr>
<tr>
<td>Resources</td>
<td>56</td>
<td>40</td>
</tr>
<tr>
<td>Transparency</td>
<td>54</td>
<td>51</td>
</tr>
<tr>
<td>Citizen Voice</td>
<td>62</td>
<td>58</td>
</tr>
<tr>
<td>Meritocracy</td>
<td>64</td>
<td>62</td>
</tr>
</tbody>
</table>

The indicators above take values between 0-100. To interpret them please keep in mind that:
- The higher the value of the corruption index, the more severe the problem.
- The higher the value of the governance indicator the better the quality of that dimension.
This approach is a powerful policy tool to evaluate the performance of different state agencies and to design targeted, more effective policies. Figure 8 shows, for example, the performance of agencies and Ministries in Sierra Leone along a few, selected governance dimensions. At the same time, because of the increasing number of countries that have completed diagnostic surveys, these indices can be used to compare the performance of similar institutions across different countries, complementing and deepening the insights obtained by using aggregate indicators available at the Macro level. The use of these agency-specific indicators for within- and cross-country analysis highlights ways for governance improvements in under-performing institutions and supports the hypothesis that priorities for reform are not the same across countries nor across public agencies within the same country.

**Future directions (Dani)**

*Where have we gotten so far?*

*Unresolved issues?*

**Bibliographical references**

**Appendix and Boxes**
APPENDIX 2

SURVEY QUESTIONS

The quantitative analysis of governance from a firm perspective requires analogous and well worded questions consistent across countries to produce comparable measures in various business environments. The general problems to avoid in question design are: (i) an inappropriate level of wording; (ii) ambiguity; (iii) multiplicity of opinions in one question; (iv) manipulative questions; (v) inappropriate emphasis; and (vi) emotional question. All this issues and other more specific are addressed in Recanatini et al. (2000).

DATA ISSUES

Accurate data-collection is crucial for rigorous policy analysis. Therefore, data issues have to be taken into account when designing a survey. Recanatini et al. (2000) provide a series of lessons to design firm surveys, like define industries as precise as possible, include a small set of standard questions, think about potential instruments to address endogeneity issues, collect panel data to investigate the effects of policy intervention, etc.

METHODOLOGY

The survey methodology has been adopted to design and implement these surveys. A separate survey instrument (structured questionnaire) was designed for each category of survey (i.e. Public Officials Survey, Household Survey and Enterprise Survey). In this section we consider the principles underlying the design of governance assessment surveys in detail, starting from the most general issues of developing conceptual framework and moving down to the discussions of question design, organization of questionnaires and sampling.

CONCEPTUALIZATION

Unlike other economic variables, governance assessment involves not only traditional issues of questionnaire design, sampling and data collection but also a great deal of attention to the determinants of governance and how these determinants can be measured. The conceptualization of determinants is also important because one ideally would like to produce the data, which are comparable across countries. Thus, the design process should include:

(i) careful definition of the concepts to be measured;
(ii) identification of their attributes on the earliest stages of survey and sample design;
(iii) selection of indicators closely related to possibly directly unobservable attributes;
(iv) early recognition of the fact that measured indicators finally will have to be aggregated into hypothetical determinants of governance for the purposes of analysis.
The quantitative analysis of governance variables requires thoroughly worded and consistent across countries questions as well as rigorous coding requirements. In this connection, a researcher should make sure that similar questions produce comparable measures in various social environments. These requirements imply a number of “know-how” rules to follow as well as careful respondent behavior analysis and pilot-testing of questions.

Almost all of the modules in the various questionnaires were closed ended and pre-coded. This made for standardized and well focused data collection and minimized the introduction of errors or personal (or wrong) interpretation of responses on the part of interviewers. It also served to forestall unnecessarily long and digressional exchanges between the latter and the respondent as well as to simplify post-survey coding and enhance the quality of data entry. Furthermore, to maximize response rates, the agency specific data focuses the debate on institutions, not individuals de-personalizing the problem and facilitating the reform process.

The formulations of the questions are consistent with the conceptual framework presented in the previous section, and the attempt is made to evaluate each attribute along various dimensions and using several types of respondents. For instance, not only we design separate questions for several dimensions of external and internal transparency but also for transparency in the administration of personnel, in the administration of budget, and in the process of hiring. Furthermore, the service performance is measured with questions addressing all three groups of respondents: public officials, individual users of public services, and enterprise managers. This approach allows to get information about the same institution from different sources.

**ORGANIZATION OF QUESTIONNAIRES**

Certain modules in these questionnaires elicited responses that were common to all three segments, while others elicited information and data specific to each category. The common sections in the three surveys are concerning to corruption and service performance assessment. The questions are based on the same concepts and centered on institutions rather than individuals.

- **Corruption.** Based on the definition of corruption, the section in public official’s questionnaire covers various instances of bribery, job purchase, illegal diversion of funds, and state capture. On the other hand, the section designed for user questionnaire focuses on bribes paid to obtain public services, mechanisms to report corruption, and trustworthiness of various government institutions. The enterprise questionnaire, in addition to bribes for public services, investigates time and monetary costs of corruption, bribery in procurement, and state capture.

---

29 This section draws on Recanatini et al. (2000).
• **Service performance.** While in the survey of public officials the quality and accessibility of services questions are asked with regard to the service provided by the agency, for user and enterprise questionnaires the questions include a list of most often used services, which are evaluated in terms of quality, user satisfaction, and control of corruption.

The sections on corruption and trustworthiness of government agencies together with a specially designed for user and managerial questionnaire section on public service delivery became an organic part of our empirical instrument allowing for triangulation of responses and providing the means to check responses and to increase the precision of estimates.

**SAMPLING**

The survey methods rely on information obtained from individual respondents, who have been chosen according to predetermined sample selection procedure. Sampling allows to measure characteristics of studied populations, when accessing the whole population is not possible because of economical, practical or physical considerations.

The literature on survey design discusses various sampling procedures: (i) probability or scientific, and (ii) informal sampling. Scientific sampling is possible if the probability of selection for each unit is nonzero and known. In the surveys of governance, the probability of selection may not be always defined, and then informal sampling methods, including quota sampling and purposive sampling, are employed.

Simple random sampling refers to a procedure in which each element is chosen from a complete list of population with a known, positive probability. Probability sampling allows to compute sampling error and sample size necessary for a given precision. It is a good practical method for sample selection if the population is not too large and all its elements are not too expensive to find and interview. However, it is rarely used per se because of efficiency considerations and because simple random sampling may produce sample that is not representative of some small distinctive groups in population. In such cases, which are common in surveys of public officials or users of public services, the researchers use stratification, multistage cluster sampling or informal sampling methods.

(i) **Probability or scientific sampling**

There are several important stages in the design of a probability sampling scheme. First, a target population, which is defined as all statistical units of interest for the purposes of analysis, should be determined. An example of target populations for a survey of governance are the population of all public officials and connected to it population of public institutions. Because not all members of the target population are accessible, the following step is to prepare the list of units that can be surveyed. This list represents a working population or a frame from which a sample will be drawn.

- **Stratified sampling.** The technique employs available information concerning the population to divide it into groups called strata. Then, a separate sample is taken from
each stratum using simple random sampling. If a small distinctive group in population represents a stratum the procedure makes sure that its members are chosen into the sample. For example, in surveys of public officials the target population can be stratified according to the level at which an official works to include in the sample rare high-ranking government officials. Compared to simple random sampling, stratified sample design procedures, in addition to cost efficiency, allow to increase precision of estimates.

- **Cluster sampling.** It refers to the technique in which the population is divided into smaller clusters (primary units) and, first, a sample of clusters is drawn. Subsequently, elementary units are selected within each chosen cluster. The sampling rules, may vary, depending on the purpose of a survey, from including all elementary units in a selected cluster in the sample (single-stage sampling procedure) to drawing a random sample within each cluster (multi-stage sampling procedure). Two-stage sampling is the simplest variant of multi-stage procedure. However, again referring to public service users survey, one may design a procedure in which geographical areas are the primary units at the first stage of sampling, then, public institutions providing services are selected as the second stage, and finally, individual users – the elementary units - are chosen as the third stage.

(ii) **Informal sampling**

If no list of population is available the only alternative is informal sampling. The major drawbacks are the inability to estimate sampling errors and the risk of biased selection. To reduce biases, informal sampling must be controlled by uniform rules in selecting respondents in a quota. Despite the problems arising in connection with informal sampling, it can be successfully used in diagnostics of governance when there is a need to describe a phenomenon rather than its incidence and to conduct exploratory study of some particular area, institution or hypothesis. For example, the public officials survey had to focus on predetermined public institutions that represented all regions of each country. Using the lists of public institutions, selected by teams of experts, the WBI researchers chose respondents at various levels of public administration to fulfill quotas that represented composition of labor force in public administration by gender and region. Similarly, the users of public services were separated into groups associated with each public institution and, then, chosen to satisfy civil status, gender, age, income and occupational, and educational quotas. Finally, the enterprises were selected according to a sector and location stratification matrix for large and medium companies. In addition, to satisfy the size quota a number of small enterprises located in major cities was added to the sample.
Using specific groups, which have a knowledge of public institutions, as the target population for the survey allows to design efficient frames for sample selection. Indeed, the general public is not aware of governance issues, and, similarly, only a part of general population uses public services. Thus, a simple random sample just may not have enough observations to permit analysis of a specific governance problem. On the other hand, restricting our frames to much smaller populations of users and providers of services and using stratified random sampling within those frames allowed to generate the number of observations sufficient to conduct the analysis in great detail.

OTHER SPECIFIC ISSUES

Recruitment and training of field officers. Training entailed orientating field officers on the survey (purpose, importance and their expected role and responsibilities); going through the survey instrument; attitude to respondents and usual courtesies; communication skills; relationship with team members and their supervisor; pre-testing each questionnaire module.

Confidentiality. Respondents have to be assured of maximum confidentiality with regard to the information they provided. Guarantee of confidentiality is provided with the enumerator telling the respondent that their name is not important to the interview and it is not recorded or used in the analysis of the results or presentation of the report. Assurance of confidentiality is particularly critical to the public officials survey as the respondents would naturally be reluctant to provide information if they thought that their names would be linked to such information.

Quality control. Quality control is an issue which determines the integrity and hence level of acceptability of any survey results. This process can be managed at two levels: (1) at the field data collection stage (selection of data collectors interviewers, adequate training of the interviewers, supervision of the questionnaires looking for inconsistencies or incomplete responses) and (2) the data capture and processing stages (use menus and drop-down lists to enhance efficient and effective data capture and to minimize data entry errors, data inconsistencies, missing values).

APPENDIX 3

Table A.1: Survey Questions Used to Construct Governance Variables.

<table>
<thead>
<tr>
<th>Governance Variable</th>
<th>Questions available in the survey</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACCESS</td>
<td>Our agency’s services are accessible by the poor.</td>
</tr>
<tr>
<td></td>
<td>Decisions on personnel management are regularly audited by some internal unit.</td>
</tr>
<tr>
<td>AUDIT</td>
<td>Decisions on personnel management are subject to external audits.</td>
</tr>
<tr>
<td></td>
<td>Decisions on budget management are regularly audited by some internal unit.</td>
</tr>
<tr>
<td></td>
<td>Decisions on budget management are subject to external audits.</td>
</tr>
<tr>
<td></td>
<td>Decisions on service delivery/contracts are regularly audited by some internal unit.</td>
</tr>
<tr>
<td>Governance Variable</td>
<td>Questions available in the survey</td>
</tr>
<tr>
<td>----------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td></td>
<td>Decisions on service delivery/contracts are subject to external audits. Transactions are supported by tickets to help auditing.</td>
</tr>
<tr>
<td>ENFORCEMENT OF RULES</td>
<td>The policy/guidelines/regulations of administration of personnel management are well supervised. The policy/guidelines/regulations of administration of personnel management are strictly enforced. The policy/guidelines/regulations of administration of budget management are well supervised. The policy/guidelines/regulations of administration of budget management are strictly enforced. Percent of cases the decisions on personnel management issues are based on professional experience/merit/performance. Percent of cases the decisions on personnel management issues are based on level of education.</td>
</tr>
<tr>
<td>MERITOCRACY</td>
<td>We all have a clear idea of the agency's objective and strategies. There is a clear understanding of what our tasks and responsibilities are.</td>
</tr>
<tr>
<td>MISSION</td>
<td>Decisions on personnel management are announced and opened to the internal of the institution (and also to the outside if applicable). Decisions on budget management are announced and opened to the internal of the institution (and also to the outside if applicable). Decisions on service delivery/performance of daily tasks are announced and opened to the internal of the institution (and also to the outside if applicable). Agency's financial status is regularly disclosed to the public.</td>
</tr>
<tr>
<td>OPENNESS</td>
<td>Decisions on personnel management are based on political connections/party affiliations/political pressure. Decisions on budget management are based on political connections/party affiliations/political pressure. Decisions on service management (or bidding processes) are based on political connections/party affiliations/political pressure.</td>
</tr>
<tr>
<td>POLITICIZATION</td>
<td>The policy/guidelines/regulations of administration of personnel management are written and formal. The policy/guidelines/regulations of administration of personnel management are simple, clear and easy to understand. The policy/guidelines/regulations of administration of personnel management do not add too many administrative steps. The policy/guidelines/regulations of administration of budget management are written and formal. The policy/guidelines/regulations of administration of budget management are simple, clear and easy to understand. The policy/guidelines/regulations of administration of budget management do not add too many administrative steps.</td>
</tr>
<tr>
<td>QUALITY OF RULES</td>
<td>Quantity (also quality, if applicable) of resources of the agency is adequate Personnel and their training of the agency is adequate Office supplies/Computers are adequate. Space/Offices of the agency are adequate.</td>
</tr>
<tr>
<td>RESOURCES</td>
<td>Decisions on personnel management are done transparently (everybody knows who were designated, promoted,…)</td>
</tr>
<tr>
<td>TRANSPARENCY</td>
<td></td>
</tr>
<tr>
<td>Governance Variable</td>
<td>Questions available in the survey</td>
</tr>
<tr>
<td>---------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td></td>
<td>Decisions on budget management are done transparently (everybody knows who were designated, promoted,...)</td>
</tr>
<tr>
<td></td>
<td>Decisions on service delivery/performance of daily tasks are done transparently (everybody knows who were designated, promoted,...)</td>
</tr>
<tr>
<td>VOICE</td>
<td>We all consider that citizens and users are our clients. Clearly defined mechanisms exist to ask users about their needs. Clearly defined mechanisms exist so that users can express their preferences, suggestions and complaints.</td>
</tr>
<tr>
<td>WAGE SATISFACTION</td>
<td>Percent of employees very satisfied or somewhat satisfied with their wages and benefits.</td>
</tr>
</tbody>
</table>