Overview of Governance Assessment Tools
Prepared for the Core Course on Governance and Anticorruption
The World Bank

Presentation by Francesca Recanatini
<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRMPS Public Officials Survey</td>
<td>3</td>
</tr>
<tr>
<td>Quantitative Service Delivery Surveys (QSDS)</td>
<td>5</td>
</tr>
<tr>
<td>Public Expenditure Tracking Surveys (PETS)</td>
<td>7</td>
</tr>
<tr>
<td>Governance and Anti-corruption (GAC) Diagnostic Surveys</td>
<td>8</td>
</tr>
<tr>
<td>Worldwide Governance Research Indicators, 2000/01 and 1997/98</td>
<td>10</td>
</tr>
<tr>
<td>World Business Environment Survey (WBES)</td>
<td>11</td>
</tr>
<tr>
<td>Transition Economies Enterprise Survey (BEEPS)</td>
<td>13</td>
</tr>
<tr>
<td>Investment Climate Surveys</td>
<td>14</td>
</tr>
<tr>
<td>Foreign Investment Advisory Service (FIAS) Surveys</td>
<td>16</td>
</tr>
<tr>
<td>Score Cards</td>
<td>18</td>
</tr>
<tr>
<td>Institutional Governance Review</td>
<td>19</td>
</tr>
<tr>
<td>Public Expenditure Reviews (PER)</td>
<td>21</td>
</tr>
<tr>
<td>Country Financial Accountability Assessments (CFAA) and Country Procurement Assessment Reports (CPAR)</td>
<td>23</td>
</tr>
</tbody>
</table>
Between 1999 and 2001, public officials in 16 countries were surveyed with funds from the Bank of Netherlands Partnership Program. Survey results are available at http://worldbank.org/publicsector/civilservice/surveys.htm.

These surveys were designed to better understand the ways in which performance of public officials depends on the incentives and constraints provided by their institutional environment. The basic assumption underlying the design of the surveys is that if resources are unpredictable, policies are likely to change, and rules are unlikely to be enforced, then “results focus”, accountability and morale will suffer, with adverse effects on agency performance. Survey results help to map the strengths and weaknesses of the public sector and can identify potential pay-offs with reform interventions.

Questionnaires among the 16 BNPP-funded surveys were not standardized, with content heavily determined by the Task Managers. Most of the surveys address some of the same topics, such as resource predictability, rule credibility, and policy inconsistency, but question wording and the set of response categories often differ. The exception to this was the six surveys conducted in small East Caribbean nations. These six were identical in content, and similar in sample design (deliberately over-sampling top-level officials, who made up only 2% of the civil service in each country but nearly 30% in the sample).

The questionnaires administered in Albania and Macedonia were nearly identical with each other, but the sample designs in these two surveys were different. There were only minor differences between questionnaires administered in Moldova and Bulgaria, but again their sample designs were different.

Other than the 6 East Caribbean surveys, conducted in small centralized countries with samples ranging only from 62 to 147, the BNPP–funded surveys generally include dozens of officials from each of a range of central government organizations – ministries and arm’s length agencies -- as well as some regional and local officials. In some cases, quota sampling was used; in other cases stratified random sampling.

Top officials and general officials were mostly administered the same questionnaire; exceptions are Argentina, Bolivia and Indonesia.
<table>
<thead>
<tr>
<th>Country</th>
<th>Number of public officials</th>
<th>Number of organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Albania</td>
<td>496</td>
<td>14</td>
</tr>
<tr>
<td>2 Antigua &amp; Barbuda</td>
<td>104</td>
<td>NA</td>
</tr>
<tr>
<td>3 Argentina</td>
<td>369</td>
<td>17</td>
</tr>
<tr>
<td>4 Bolivia</td>
<td>692</td>
<td>15</td>
</tr>
<tr>
<td>5 Bangladesh</td>
<td>821</td>
<td>34</td>
</tr>
<tr>
<td>6 Bulgaria</td>
<td>1,089</td>
<td>23</td>
</tr>
<tr>
<td>7 Dominica</td>
<td>58</td>
<td>NA</td>
</tr>
<tr>
<td>8 Grenada</td>
<td>147</td>
<td>NA</td>
</tr>
<tr>
<td>9 Guyana</td>
<td>464</td>
<td>15</td>
</tr>
<tr>
<td>10 Indonesia</td>
<td>640</td>
<td>15</td>
</tr>
<tr>
<td>11 Kenya</td>
<td>450</td>
<td>3</td>
</tr>
<tr>
<td>12 Moldova</td>
<td>672</td>
<td>18</td>
</tr>
<tr>
<td>13 Macedonia</td>
<td>415</td>
<td>40</td>
</tr>
<tr>
<td>14 St. Kitts &amp; Nevis</td>
<td>62</td>
<td>NA</td>
</tr>
<tr>
<td>15 St. Lucia</td>
<td>125</td>
<td>NA</td>
</tr>
<tr>
<td>16 St. Vincent &amp; Grenadines</td>
<td>107</td>
<td>NA</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,711</strong></td>
<td><strong>194</strong></td>
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</tbody>
</table>

This table is from “A Note on the Categories, Questions, and Sampling in the Sixteen Public Officials Surveys Financed under the Bank-Netherlands Partnership Program (BNPP), March 2002, Omer Gokcekus, (Assistant Professor of Economics at NCCU School of Business).

Contact: **Steve Knack**
Good public expenditure management requires attention to the level of aggregate spending, allocation of public funds, and actual service delivery. While there is considerable emphasis on the first two aspects in developing country budget preparation and the Bank’s Public Expenditure Reviews, the third one tends to receive less attention, partly due to lack of relevant data. Many countries have large and ambitious public spending programs intended to address issues of efficiency and equity. Yet, the implementation capacity of governments has seldom been systematically incorporated into the analysis of public expenditure priorities.

The QSDS surveys are designed to study the allocation and use of resources and service delivery at the level of front-line providers. In the QSDS, the facility or frontline service provider is the main unit of analysis, much in the same way that the firm is the unit of observation in enterprise surveys and the household in the household surveys. The QSDS relies largely on “hard” data collected from actual records kept at facilities (schools, clinics) providing public services, and can be applied to facilities that are operated by government, NGOs, or the private sector. These surveys have been conducted in the health and education sectors, but can in principal be applied to other providers of other public services, such as agricultural extension, water supply, courts, revenue authorities, police, and postal service.

The QSDS collects information on:
- characteristics of the facility/provider (e.g. size, ownership, access to infrastructure)
- inputs and costs (e.g. salaries, drugs, textbooks)
- outputs (e.g. patients treated, pupils attending school)
- quality (e.g. patient satisfaction)
- financing (sources, amounts, in-kind vs. cash, reliability)
- management systems, oversight and incentives (e.g. reporting and record keeping practices, audits, staff absenteeism)
- community participation (e.g. PTA involvement)

Empirical evidence is severely lacking on the role of incentives and “moral hazard” in determining the effectiveness of public spending, despite a plethora of appealing theoretical arguments. Well-designed and executed surveys may thus provide the necessary data to undertake such empirical analysis.

Results from these surveys can improve our knowledge on the extent of corruption, ghost workers, absenteeism and leakage of resources, and on the effects on service quality of decentralization, competition, subsidies, empowerment of users, and changes in incentive regimes.

Necessary data to conduct a full QSDS may not be available in all sectors in all countries at the facility level. Therefore, a preliminary assessment of data availability is needed to determine whether a QSDS is feasible.
QSDSs consist of questionnaires for interviewing the manager of each facility, and separate data sheets for collecting quantitative data from facility records. Often, additional instruments are used for collecting information from local, regional and national governments which may affect facility performance. The QSDS can be linked to household surveys (e.g. the LSMS) to combine the supply of and the demand for services as well as human development and other outcomes.

A QSDS has been completed for Uganda, and they are ongoing in Chad, Laos, Macedonia, Madagascar, Mozambique, Nigeria, Papua New Guinea, and Zambia.

Contact: **Ritva Reinikka**
More information:

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1 Examples of questionnaires can be found at www.worldbank.org/research/projects/publicspending/tools.htm.
While the QSDS is often a valuable diagnostic tool, its primary purpose is in generating research data. In contrast, the PETS is first and foremost a diagnostic tool. As information on actual public spending is seldom available in many developing countries, the PETS was designed to provide the missing information from different tiers of government and frontline service facilities using the sample survey approach. These studies 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. They are useful for locating and quantifying leakage, blockage and delays in the flow of resources. They are also potentially useful for assessing impediments to the reverse flow of documentation to account for actual expenditures.

In contrast to financial audits, designed to be understood by specialists, the PETS is designed to improve bottom-up accountability by providing information that can be understood and used by service users, the media, and other elements of civil society.

The PETS can be conducted in conjunction with the QSDS. Their combination allows a direct evaluation of the effect of wider institutional and resource-flow problems on frontline service delivery. The facility level analysis can also be linked “upstream” to the public administration and political processes (including public official surveys) and “downstream” to households to combine the supply and demand side of service delivery.

There is strong operational demand for the PETS, and they are either planned, ongoing, or completed for numerous countries including Albania, Cambodia, Chad, East Timor, Ghana, Georgia, Honduras, Macedonia, Peru, Rwanda, Senegal, Tanzania, and Uganda.

Contact: Ritva Reinikka
Since 1997, the World Bank has begun to develop new empirical tools to assess governance that would help encourage local capacity and action programming while generating new information. Key ingredients of the GAC diagnostics are in-depth, country-specific surveys of thousands of users/households, firms, and public officials that gather specific information about institutional vulnerabilities within a country. The design, implementation, analysis and the linking between main findings emerging from these surveys is carried out through a fully participatory ‘technology’ (described in the Figure below) that involves stakeholders from the executive, legislative, civil society and private sector.

Key features of the GAC diagnostics comprise the following:

i) multi-pronged, separate surveys of users of public services/households, firms and public officials, which permits triangulation of the results;

ii) use of experience-based (vs. ‘opinions’/generic) type of questions;

iii) a broad governance and service delivery conceptual framework; and,

iv) rigorous technical specifications at the implementation stage.

These tools promote capacity building through the institutionalization of the participatory approach in monitoring projects. In particular, the design and implementation of the surveys allow to:

(i) foster learning through the close collaboration between external experts and local counterparts;

(ii) promote long-term, sustainable partnerships among local stakeholders;

(iii) obtain an initial benchmark of governance and public sector performance; and

(iv) monitor on a regular basis governance and public sector performance.

The analysis developed with this approach encourages local stakeholders to make use of the results to promote a constructive debate on institutional reforms and can lead to a non-political debate on concrete changes. The agency specific data steers the debate on institutions rather than individuals, de-politicizing the problem and facilitating the reform process.

In each of the countries undertaking this type of work, the project components will include:

• A preparatory phase (Phase 0) that will identify and recruit the project team and develop a detailed work program.

• A "partnership-promoting" phase (Phase 1) in which the selected team will facilitate the coordination of the different national stakeholders involved in the process.

A development phase (Phase 2) 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.
Stages for Development of the National Anti-Corruption Strategy

- **A fieldwork phase** (Phase 3) 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** (Phase 4), where the data collected in Phase 3 is analyzed. This in-depth analysis, carried out jointly by the Bank team and local team, will lead to the completion of a policy report to address questions such as: What is the cost of mis-governance to firms, users, and public finances? How does mis-governance affect poor users and small firms? What effect does mis-governance have in public service delivery? What are the causes of institutional vulnerability? What are the key issues on which a reform program designed to improve governance should focus?
- **A dissemination phase** (Phase 5), in which the available datasets are disseminated to local and central governments and research agencies using real time data access and electronic media.

Contact: Francesca Recanatini
Recently, a methodology to assess worldwide governance at an aggregate level was developed through research conducted at the World Bank (Kaufmann, Kraay and Zoido, 1999a and b). This approach summarizes the information from many existing measures (from expert polls to surveys) and translates it into aggregate indicators 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. This helps estimating how well each measure approximates the dimension of governance that the aggregate indicators measures.²

The composite governance research indicators are constructed using an unobserved components methodology and drawing on 17 independent sources of subjective data on perceptions of governance. The data is available for 175 countries on the six dimensions of Governance: i) Voice and Accountability; ii) Political Stability; iii) Government Effectiveness; iv) Regulatory Quality; v) Rule of Law; and vi) Control of Corruption.

Using this methodology a researcher can position a country relative to others by simply looking at the percentile ranking the country occupies in each of the aggregate governance indicators and measure how robust this relative percentile ranking is by using the confidence intervals on the estimated levels. These also allow to calculate the proportion of countries that rate above (below) this particular country with 90 percent level of confidence and to produce a top, a bottom, and a band of possible percentile rankings for each country. The current worldwide data set covers 1998-2001 and includes about 175 countries.

Contact: Daniel Kaufmann

The World Business Environment Survey (WBES), administered in roughly parallel fashion to enterprises in 80 countries between 1999-2000, provides a basis for making regional comparisons of investment climate and business environment conditions, as well as comparisons of the severity of constraints affecting enterprise depending on their characteristics—such as size or ownership, and to perform country-specific evaluations. The results are presented in ‘Voices of the Firms’. In it, the constraints are presented by region and many by firm size, focusing in particular on the findings regarding reported constraints imposed by 1) policy instability and uncertainty; 2) taxes and regulations; 3) inflation/price instability and the exchange rate; 4) finance; 5) governance, the legal system and corruption, and 6) the quality of public services, including infrastructure. The analysis are based on a sample of 10,090 enterprises that responded to the core questionnaire. Furthermore, a selective analysis of key determinants of firm performance and their behavior is provided. Based on the research and empirical analysis, it is pointed out which constraints affect firm-level outcomes the most, and also what types of firms are affected in particular by different business constraints. Further, an interactive web tool to access the data in a manner tailored to each user’s needs has been developed.

The World Business Environment Survey (WBES) is a World Bank Group initiative which, in partnership with other institutions, seeks to assess the state of the enabling environment for private enterprise in a large number of countries, surveying at least 100 firms per country. In the context of economic globalization, member countries are increasingly concerned with the conduciveness of their business environment to private investment and business development, the priorities for reform, and their relative standing in their region or globally. Unfortunately, we have very few indicators that allow us to objectively measure and compare the business environment, its binding constraints, the quality and integrity of supportive and regulatory public services, and the relative improvement or decline of constraint severity and service quality over time. Identification of serious constraints is the first step in this process and a well-designed survey of members of the private sector will allow us to begin to assess these constraints for existing businesses. The second important element for any attempt to improve the business environment is to have some benchmarks against which to measure progress.

Through the WBES, the project team hopes to accomplish the following objectives:

- to provide feedback from enterprises on the state of the private sector in client countries;
- to measure the quality of governance and public services including the extent of corruption;
- to provide the Bank better information on constraints to private sector growth, from the enterprise perspective;
- to sensitize client governments and Bank staff to the importance of listening to firms and using this information to critically assess policies.

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3 [http://info.worldbank.org/governance/wbes/](http://info.worldbank.org/governance/wbes/) The WBES interactive data webtool was designed by Dmitry Samorodkin and Andrey Lysenko with assistance from Arseny Malov and Massimo Mastruzzi, under the supervision of D. Kaufmann. The WBES project was overseen by G. Pfeffermann, D. Kaufmann, H. Kharas, S. Khemani. A. Stone was the task manager, and G. Batra a principal researcher. For details about all the collaborating partners involved in the WBES project, click [here](http://info.worldbank.org/governance/wbes/).
• to establish the basis for internationally comparable indicators which can track changes in the business environment over time thus allowing both for competitive assessment and impact assessments of market-oriented reforms.
• to stimulate systematic public-private dialogue on business perceptions and the agenda for reform.

Contact: Andrew Stone
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 over 4000 firms in 22 transition countries conducted in 1999-2000 that examines a wide range of interactions between firms and the state. Based on face-to-face interviews with firm managers and owners, BEEPS is designed to generate comparative measurements in such areas as corruption, state capture, lobbying, and the quality of the business environment, which can then be related to specific firm characteristics and firm performance. More information on the survey, the BEEPS research project and related papers, may be found at www.worldbank.org/wbi/governance/wp-statecapture.htm

Contact: Joel Hellman
Investment Climate Surveys

Investment Climate Assessments (ICAs), a part of the World Bank Group’s PSD strategy, represent an initiative to systematically analyze conditions for private investment and enterprise growth in countries throughout the world. ICAs provide a summary assessment of a country’s investment climate conditions and (to the extent possible) their impact on productivity. ICAs are based on a standard core investment survey instrument. Using standard analytic approaches, data analysis and report format, the strengths and deficiencies of each country can be highlighted in comparative and international perspective. Investment Climate Assessments (ICAs) must draw strategic implications for policy and institutional reform and for donor assistance strategy. ICAs should feed into country dialogue, strategy and operations. Although implementation may be decentralized, standardization and quality control will are key.

At the heart of each ICA is the “Productivity and the Investment Climate Survey” (PICS). The use of properly designed survey instruments enhances the credibility of ICA analysis and recommendations with government, the business community and other donors, and increases consensus regarding reform recommendations by providing a commonly-accepted factual base. An ICA survey must begin from the core instrument but may add questions or modules tailored to priorities in the country being studied. The core survey draws from earlier WBG surveys and the work of partner institutions and reflects input and agreement from across the WBG.

Wherever possible, the core survey evaluates conditions in quantitative terms of dollars and days. Supplementing and framing these quantitative questions are well-tested qualitative questions (such as those from the World Business Environment Survey) that have a proven correlation to outcomes such as firm-level sales and investment growth. The core has eleven sections covering the following topics:

1. General information about the firm: ownership, activities, location
2. Sales and supplies: imports and exports, supply and demand conditions, competition.
3. Investment climate constraints: evaluation of general obstacles.
4. Infrastructure and services: power, water, transport, computers, and business services.
5. Finance: sources of finance, terms of finance, financial services, auditing, land ownership.
6. Labor relations: worker skills, status and training; skill availability; over-employment; unionization and strikes.
7. Business-government relations: quality of public services, consistency of policy and administration, customs processing, regulatory compliance costs (management time, delays, bribes), informality, capture.
8. Conflict resolution/legal environment: confidence in legal system, resolution of credit disputes.

4 “Investment climate issues are to be part of systematic and regular analysis in preparation of country strategies and will be considered routinely in the Bank Group’s assistance strategies. …To focus these efforts and achieve better results it is proposed to conduct systematic investment climate surveys and assessments…. ” Private Sector Development Strategy – Directions for the World Bank Group, April 9, 2002.

5 Poor (IDA-eligible) countries are a special priority for the ICA initiative.
11. Productivity information: employment level, balance sheet information (including income, main costs and assets).

In preparing additional questions, a task manager may wish to apply one of several pre-existing modules covering such topics as detailed regulatory compliance costs, concerns of small and medium enterprises, and financing issues. To develop new questions, the task manager should consult existing reports of relevance, experts in the World Bank Group and partner organizations, and government and private sector counterparts in the country. Frequently important issues reveal themselves through open-ended pre-testing in the field. Focus groups with businesses are also a useful precursor to a survey.

Contact: Andrew Stone
Since its founding in 1985, Foreign Investment Advisory Service (FIAS) has assisted more than 120 countries—many of them on a continuing basis over the years. Its broad experience has helped it identify the essential attributes of a sound investment environment. Its staff tailors this knowledge to the circumstances of client countries to help them reach their potential for attracting foreign direct investment (FDI).

FIAS works only at the request of governments, on topics identified by the government and agreed to by both parties. This ensures the relevance of the assistance and lays the basis for active partnership. The Service offers much more than one-way advice and written reports: through interactive workshops and roundtable meetings that often include business executives and other stakeholders, it helps governments chart technically and politically practical paths to change.

In particular, FIAS undertakes diagnostic studies to identify a country's main policy impediments to productive foreign direct investment. The issues typically identified include prohibitions on foreign investment in many sectors or locations; restrictions on the share of foreign ownership in the equity of domestic companies; difficult administrative approval processes; restrictions on repatriation of dividends and capital; taxes; the character and functioning of legal systems; and problems foreign firms have in gaining access to land and bringing in technical and managerial staff.

In addition, one important tool FIAS has developed is a "Roadmap" analysis of bureaucratic barriers that snarl and slow both investment and subsequent production. These detailed flowcharts pinpointing problems have helped governments identify and eliminate counterproductive procedures, and streamline the necessary regulations that remain.

FIAS has the unique strength of being a joint service of two of the world's largest multilateral development institutions: The International Finance Corporation (IFC), and the World Bank. FIAS staff can—and do—call on the expertise of the entire Bank Group (which also includes the Multilateral Investment Guarantee Agency and the International Center for Settlement of Investment Disputes) in designing coordinated assistance packages for client countries.

Furthermore, the placing of the FIAS Program and the Business Environment Group under one unit allows a wider perspective on how to assess and respond to investment constraints in the business environment. Experience suggests that much can be done to remove barriers, disincentives, and distortions that may discourage investment or divert it from efficient uses. Creating a stable, neutral, and efficient environment for business can bring in new investment and improve the productivity of existing investment(s). Higher levels of investment and productivity are key to stimulating growth in developing countries and raising living standards.

In a competitive world, countries often grant benefits to entice investors. FIAS can analyze incentives to ensure they are competitive and cost effective.
Finally, Governments require accurate data about investment flows—for their own use, and to provide information to the marketplace. FIAS can help governments design non-intrusive systems for collecting data on direct investment, including measuring the impact of investments on such key variables as job creation and export growth.

Contact: Jackie Coolidge
More information: http://www.fias.net/index.html
SCORE CARDS

The Public Affairs Centre’s Report Cards are an aggregation of public ratings on different aspects of service quality, built on scientific random sample surveys of users of different public services (utilities) in a city; Bangalore-based market research agency, Marketing and Business Associates (MBA), was PAC’s partner in this endeavor. The specific aspects addressed in the survey include availability of the service, usage, satisfaction, service standards, major problems with the service, effectiveness of grievance redress systems, corruption encountered, and other hidden costs experienced by citizens on account of poor service. Report Card studies have been carried out in Bangalore, Pune, Ahmedabad, Chennai, Calcutta, Mumbai and Delhi. The second Report Card study in Bangalore in 1999, carried out as a sequel to the earlier study in 1993, provided rich insights into the changes in the quality of public services in the city. Dialogues with service providers for reform have been an important outcome of these exercises. In Mumbai, nearly forty local NGOs were involved in the report card on slums.

What they can do:
- Generate User Feedback on services
- Convert widespread individual issues into Collective Issues
- Quantify, Classify & Rank Services/Agencies across qualitative and quantitative issues
- Provide information on Hidden Costs
- Create a BASE to launch practical ACTIONS

Steps in Generating a Report Card:
- Issues identified through FGDs
- Designing instruments
- Identification of a scientific representative sample from the city population
- Survey by Independent Agency
- Collection of Qualitative Data
- Report always in a Public Domain

Type of Information Generated:
- Accessibility & Usage
- Satisfaction with individual services
- Responsiveness of Service Providers
- Cases of Bribes
  - Extortionary vs Voluntary
  - Willingness to Pay for better services

What Report Cards have Achieved:
- Creating Public Awareness
  - Wide press Coverage, Workshops, Seminars, etc.
- Stimulating Agency Reports
- Strengthening Civil Society Initiatives
- Capacity Building for Public Interest Groups
- Replications and Adaptations

Contact: Samuel Paul at pacindia@vsnl.com
More information: Public Affairs Centre at http://www.pacindia.org/
Institutional and Governance Reviews (IGRs) are a new type of analytical report that traces the institutional roots of poor government performance and provides practical alternatives for operational design and country strategy. Thirteen ESW activities that fit within the broad family of IGR products have been undertaken since 1999.

The family of IGR products:

- **IGRs** generally address major governance issues that cut across many sectors. IGRs in Armenia, Bangladesh, Bolivia and Peru have opened up debate on incentives for reform in situations of extensive political patronage and complex coalition politics.
- A **social sector IGR** in Argentina has prepared the ground for reforms in health and education.
- A **subnational IGR** undertaken at state level in Nigeria, is setting out strategies for targeting external assistance at subnational level to support promising reformers.
- **Regional IGRs**, such as that undertaken for the Organization of Eastern Caribbean States (OECS) and under consideration for South East Europe, are reviewing the scope for political, economic and functional cooperation at regional and subregional levels.
- **Governance and Poverty Scoping Notes** are being piloted in the Africa region where the Bank is active in a large number of countries and where country budgets can be comparatively small.

IGRs are using a range of empirical tools to quantify performance failures. Surveys of households, businesses and public officials provide concrete evidence of the degree to which critical services are failing to reach the poor, of volatile and unpredictable policy-making, and of perceived corruption and poor accountability. Other approaches, including sociological studies, focus group discussions with selected representatives of interest groups, and in-depth one-on-one interviews with key witnesses, can be triangulated to ensure the robustness of the diagnostic analysis. The early IGRs are providing useful experience on the costs and benefits of different diagnostic approaches.

Given the interconnections among the different facets of public administration, the temptation is great in IGRs to expand analysis “horizontally” and address a broad menu of public management issues. But the experience with IGRs so far suggests that high returns can come from focusing on the “vertical” chains of causation – looking beyond immediate performance problems and their proximate causes in administrative dysfunction, to the underlying incentives that shape the actual behavior of bureaucratic and political actors. As the Burkina Faso IGR illustrates, individual IGRs do not necessarily have to consider the full range of policymaking, expenditure management, accountability and service delivery performance challenges, and can very powerfully confine their focus to just one or two of these.

IGRs would not have been produced in the Bank just a decade ago. Their examination of political issues and motives (reinforcing the vital point that short-term, purely technical...
applications will not solve problems that have deep political roots) and their use of empirical data to make comparisons among institutional arrangements and to monitor officials behavior are signs of increased openness and candor within the Bank and in an increasing number of client countries. Even so, given the sensitivities involved, sometimes (as was the case for the Africa region's Governance Scoping notes) political diagnostics may need to be done as informal inputs into Country Assistance Strategies, with the principal goal of informing staff of key contextual constraints, rather than as self-standing products in their own right.

A focus on a well-defined subset of development objectives, coupled with a readiness to accept the primacy of politics, fosters a robust and comprehensive dialogue. To be sure, surfacing the political realities that underpin performance problems can be difficult: it exposes sensitivities both on the client side and for the Bank. Reformers committed to good governance welcome robust analytic reports and their contribution to productive political discourse. At the same time, there are necessarily sensitivities around such politically delicate topics. The degree of explicitness in IGRs will thus vary considerably.

IGRs help us move from a 'best practice' model towards a 'good fit' model of analysis and reform, in line with the Bank's strategy for governance and public sector reform. In the 'best practice' approach, shortfalls in formal institutional arrangements are highlighted, with exhortations and incentives to close them. Governments are urged for example to make their civil services more meritocratic, their budgets processes more performance-focused, but without any pragmatic guide to how that change might be introduced given the political realities. A 'good fit' approach, by contrast, asks 'what might work here?' In pursuing 'good fit' and aid effectiveness, IGRs seek to provide the Bank and governments with practical proposals and a sense of the tradeoffs between approaches, rather than a rigid adherence to one approach.

Contact: Nick Manning
PUBLIC EXPENDITURE REVIEWS (PER)

Started in 1980s as a Public Investment Review, the PER has two main objectives:

1. To strengthen budgetary analysis and processes in country concerned, so as to achieve a better focus on growth and poverty reduction.
2. To assess a country’s public expenditure program, to meet accountability requirements and provide the government with an external view of its budget.

A PER is a major vehicle for analyzing public sector issues in general public expenditure issues in particular. PERs help countries establish effective and transparent mechanisms to allocate and use available public resources in a manner that promotes economic growth and helps in reducing poverty.

Most PERs are essentially comprehensive macro reports with a mandate to focus on the efficiency and efficacy of resource allocation. Topics include--but are not restricted to--analysis and projection of revenue, determination of the level and composition of public spending, inter- and intra-sectoral analysis, financial and non-financial public sector enterprises, structure of governance, and the functioning and efficacy of public institutions.

Some PERs are sector specific; these are called sectoral PERs. These reports provide a framework for project (and increasingly non-project) lending so that the latter is consistent with sectoral priorities as well as with overall macroeconomic policies. Within the specific sector, they analyze the client country’s development problems, existing policies, expenditure priorities and management, and public institutions. However, these sectoral reviews rarely address the issue of resource fungibility across sectors, which in most cases, could only be dealt satisfactorily within a public expenditure review covering the entire government budget.

A quality review needs to be structured around an appropriate analytical framework. The building blocks of one such framework include:

- Analysis of an appropriate public-private mix of goods and service provision in the economy after the rationale for public intervention--market failure (efficiency) and redistribution (equity)--has been identified;
- The country is generating adequate revenue in a reasonably non-distortionary, equitable and sustainable manner, and fiscal deficits, if any, are sustainable and consistent with economic growth, inflation and other macro objectives;
- Evaluation of public expenditure priorities--across and within functions--given the resource constraint and distributional objectives;
- Examination of the link between expenditure inputs and outcomes (such an analysis does not necessarily have to be based on fancy statistical techniques; good anecdotes could work well as supplements in case data are poor and/or insufficient);
- Focus on the public sector institutional arrangements (including the political incentives) with suggestions to reform incentives and institutions that are needed to improve the efficacy of public spending.
An important thing to keep in mind is that there is no unique prescription for the level or the composition of public spending. The above framework outlines some broad principles, but the design and implementation of public spending programs are complex matters requiring detailed assessment and careful tailoring country by country.

Twenty to twenty-five PERs are completed each year- but it is evolving into a more participatory instrument, seeking country ownership to implement agreed changes (e.g., “process PERs). PERs tend to focus more on “upstream” issues of budget construction, with less emphasis on “downstream” issues of budget execution.

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COUNTRY FINANCIAL ACCOUNTABILITY ASSESSMENTS (CFAA) AND COUNTRY PROCUREMENT ASSESSMENT REPORTS (CPAR)

1. Country Financial Accountability Assessments (CFAA)—WorldBank

A relatively new instrument, introduced in 1997, the CFAA is the principle Bank diagnostic tool in public financial management. Supports both the Bank’s fiduciary responsibilities, i.e., identifying areas of risk in use of Bank funds, and development objectives, including capacity building Guidelines issued in September 2000, now being revised Focuses on “downstream” aspects of the budget process—i.e., accounting and internal control, financial reporting and fiscal transparency and auditing In the past, CFAAs have also reviewed corporate governance and financial reporting in private sector—in future will be covered by ROSCs

15-20 CFAAs carried out each year, sometimes combined with PERs and CPARs.

2. Country Procurement Assessment Reports (CPAR)—World Bank

Introduced in the 1980s, the CPAR has evolved from a narrow focus on procurement for Bank-financed projects to broad systemic reviews of national procurement systems. Today it’s three main objectives are:

1. Provide a comprehensive analysis of a country’s public procurement system, including legal framework, organizational responsibilities and capabilities, current operating procedures and practices, and how well these work in practice
2. Undertake a general assessment of the institutional, organizational and other risks associated with the procurement process
3. Develop a detailed action plan to bring about institutional improvements and assess the competitiveness of local private industry, and the adequacy of commercial practices relating to public procurement.

About 20 CPARs carried out each year, sometimes in combination with PERs and CFAAs.

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