



Improving Lives Through Better Government

Promoting Effective,
Efficient, and Open
Governments in
Latin America
and the Caribbean

Carlos Santiso, Jorge von Horoch,
and Juan Cruz Vieyra

**Inter-American
Development Bank**

Institutions for
Development Sector

Institutional Capacity
of the State Division

TECHNICAL NOTE

No. IDB-TN-711

November 2014

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2014

Cataloging-in-Publication data provided by the
Inter-American Development Bank
Felipe Herrera Library

Santiso, Carlos.

Improving lives through better government: promoting effective, efficient, and open governments in Latin America and the Caribbean / Carlos Santiso, Jorge von Horoch, Juan Cruz Vieyra.

p. cm. — (IDB Technical Note ; 711)

Includes bibliographic references.

1. Transparency in government—Latin America. 2. Transparency in government—Caribbean Area. 3. Public Administration—Latin America. 4. Public Administration—Caribbean Area. 5. Government accountability—Latin America. 6. Government accountability—Caribbean Area. I. Von Horoch, Jorge. II. Vieyra, Juan Cruz. III. Inter-American Development Bank. Institutional Capacity of the State Division. IV. Title. V. Series.

IDB-TN-711

<http://www.iadb.org>

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ABSTRACT

Improving the effectiveness, efficiency, and openness of governments is essential to meet the key challenges that countries in the Latin American and Caribbean region face to improve service delivery to citizens. This Technical Note is meant to guide the work of the IDB's Institutional Capacity of the State Division in this area. In the literature, institutional quality and implementation capacity emerge as the key variables that underpin good government. Measurement is a central issue, as institutional quality cannot be assessed or improved without reliable indicators. While many challenges remain, the region is already adopting innovative approaches to public management, focusing particularly on the capacity of governments to manage information. In response to existing challenges and progresses, the IDB identifies three main strategic areas of action: (i) improving government effectiveness by strengthening the evidence base for policy making and enhancing the capacity of central agencies; (ii) enhancing efficiency in policy implementation by leveraging the adoption of innovative e-solutions and supporting civil service reforms; and (iii) fostering accountability and open government by strengthening accountability institutions, both internal and external, and promoting the adoption of targeted transparency policies.

JEL Codes: H10, H11

Keywords: Latin America and the Caribbean, good government, public management, public service delivery, institutional quality, measurement, government effectiveness, government efficiency, open government, data management, E-government, government statistics, monitoring and evaluation, Center of Government, civil service, transparency, accountability.

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EXECUTIVE SUMMARY

This document sets out a conceptual framework for achieving more effective, efficient, and open government institutions in Latin America and the Caribbean (LAC). It reviews what is meant by good government and provides a practical approach for defining and measuring the quality of government. It (i) assesses the progress being made in the region in improving public sector management, (ii) evaluates current challenges, (iii) identifies the key drivers of government innovation, and (iv) highlights where and how the Inter-American Development Bank (IDB) can add value in a dynamic and rapidly changing public sector landscape.

The focus is placed on three key dimensions of good government: **effectiveness** in achieving intended results through improved public sector management; **efficiency** in terms of cost efficacy in delivering public services; and **openness** of public institutions and policymaking. These are core dimensions along which governments in the region are seeking to improve their public sector results in a context of increasing fiscal constraints and mounting citizen expectations, driven by a better informed and growing middle class. A cross-cutting issue is the use of digital solutions that supports the three above-mentioned dimensions of good government.

The main purpose of this document is to guide the work of the Inter-American Development Bank (IDB), through its Institutional Capacity of the State Division (IFD/ICS), and provide a basis for a selective, targeted, and tailored agenda in the area of public sector management. The framework identifies the management of information—in terms of generation of quality information, its effective use in policymaking and implementation, and greater access to it by citizens—as a key lever to achieve better government, and it articulates three strategic niches that are aligned with the IDB’s development mandate. The strategic niches for IFD/ICS operational and analytical work are the following:

- (i) **Leveraging government effectiveness** by strengthening the evidence base for policymaking and enhancing central agency functions to improve policy consistency across government.
- (ii) **Improving efficiency in policy implementation** with a focus on innovative e-solutions and civil service reform to enhance human capabilities.
- (iii) **Fostering open government** through accountability institutions and access to information.

ACKNOWLEDGEMENTS

The Public Sector Management cluster of IFD/ICS, with the input of IDB personnel and external consultants, prepared this document. Two background papers were commissioned in 2013 on the comparative analysis of governance frameworks and indicators, as well as the evaluation of key trends and challenges in governance reform in Latin America and the Caribbean.

Juan Cruz Vieyra, Operations Specialist (IFD/ICS), coordinated the drafting process of the document, with the overall guidance of Jorge von Horoch, Lead State Modernization Specialist (IFD/ICS), and under the supervision of Carlos Santiso, Division Chief (IFD/ICS). A core team, comprised of Diego Arisi, Paula Castillo, Pedro Farías, Mariano Lafuente, Miguel Porrúa, and Mario Sanginés, contributed to the process at different stages. The document also incorporates the valuable advice of Ana María Rodríguez, Manager

(IFD), and inputs from Bank experts on various topics in the area of state modernization. Special thanks must be extended to Martín Alessandro, Rhea Brathwaite, Nicolás Dassen, Franz Ibañez, María José Jarquín, and Christian Schuster for their critical comments in the drafting process.

The team of external advisors and peer reviewers was composed of Dan Gingerich (University of Virginia), Stephen Goldsmith (Harvard University), Ben Weinryb Grohsgal, Nick Manning (World Bank), Fernando Rojas, and Steven Webb (World Bank). This document has also greatly benefited from a brainstorming session held in June of 2013—with the main objective of defining good government—attended by leading experts, including Francis Fukuyama (Stanford University). IFD/ICS is extremely grateful to these experts; however it does not make them, or the organizations they belong to, responsible for any errors or omissions.

1 THE NEED FOR INNOVATION IN GOVERNMENT

The definition and measurement of the quality of government remains contentious, despite its importance in achieving development. There is a general consensus that “institutions matter” for development (North, 1981; Acemoglu and Robinson, 2012; Fukuyama, 2013). Poor institutions partly explain the relative underperformance of economies and cross-country empirical evidence confirms this relationship with numerous studies correlating better institutional quality with higher levels of per capita income and greater economic growth (Acemoglu, Johnson, and Robinson, 2001; Dollar and Kraay, 2003; Knack and Keefer, 1995; Mauro, 1995; Rodrik, Subramanian, and Trebbi, 2004). While the direction of causality may operate in both directions, a foundational level of institutional quality is necessary for sustained economic growth (Acemoglu, Johnson, and Robinson, 2001; Subramanian and Rodrik, 2004).

The concept of “good governance” that emerged two decades ago arose from concerns about improving government delivery capacity and strengthening government accountability to citizens.¹ The associated

notion of the “social contract” has also found much currency recently, particularly in terms of the political process by which a responsive and accountable government delivers services to citizens while building compliance from its population to pay the taxes needed to fund those services (de Haan and Everest-Phillips, 2007) and, most recently, in development thinking related to the idea of “political settlements” (Evans, 2012), fiscal pacts, and trust in government. Public sector management is a key variable in both strengthening governance and improving the social contract as it “is concerned with improving public sector results by changing the way government works” (World Bank, 2012: 1).² The machinery of government is a critical foundation for making governments work and deliver better results.

Over the past decades, the debate on the proper role of government in the economy has evolved and our understanding of the importance of the quality of public institutions has improved, with an increasingly nuanced focus on public sector management. The 1960s was the era of promoting capital flows with less concern for institutions; the emphasis was

¹ This concept referred to the “manner in which power is exercised in the management of a country’s economic and social resources for development” (World Bank, 1992: 1).

² According to the latest World Bank public sector management strategy, “public sector management reform is the art and science of making the public sector machinery work. It is about deliberately changing the interlocking structures and processes within the public sector that define how financial and physical resources and people are deployed (World Bank, 2012: 3).

on capital accumulation, technological adoption, and import substitution under state guidance. By the 1970s, it was clear that simply encouraging capital flows was insufficient to promote growth and macroeconomic policies became the key variable. By the 1980s, the macroeconomic concerns had crystallized into a more comprehensive package, including fiscal discipline, broadening of the tax base, and outward orientation with freeing and enabling markets—later referred to as the Washington Consensus.³ At this point, the focus on public sector management reform became more explicit, with an increasing focus on getting incentives right inside the public sector. This was initially promoted through the transfer of what was regarded as “best practice” but in the 1990s, the thinking on state reform focused more on matching reform content to the country’s institutional capacity with “good fit” emerging as a concern (Andrews, 2013; World Bank, 2000). Best-fit reforms are those that are technically sound and politically feasible (Stein et al., 2006). As Milka Casanegra—the long-time head of the IMF tax administration department—noted, “tax administration is tax policy” (Bird and Casanegra, 1992).

Most recently, debates on public sector management reform have underscored the importance of political incentives to pursue development, the political economy of state capacity, and the importance of the enabling context (Scartascini et al., 2008; Scartascini, Machado, and Tommasi, 2011)—in particular, growing demand and expectations for better service delivery. This trend is reflected by a swingback in the pendulum from concerns of restraining the state through greater transparency and accountability to a more balanced focus on enabling government through

greater capability and capacity to deliver results (Fukuyama, 2013; Andrews, 2014). Significant advances have also been made in our understanding of the institutional determinants of good government and the political economy of reform (Santiso and Dayton-Johnson, 2013).

The concepts of government efficiency, effectiveness, and openness are, however, still marred with conceptual controversy and disputes about how to measure them. While there have been advances in the practitioner and academic understandings of governance and institutional reform in recent years, with some agreement at a broad level,⁴ public sector management reform remains a distinctively difficult policy area which must overcome—according to the World Bank (2012) and Holt and Manning (2014)—five key challenges: (i) the relatively little explicit evidence about what matters most in improving public sector performance (“what works”), including the key drivers of reform and the gap between formal institutions and actual practices; (ii) the significant uncertainty about the institutional forms that are most suited to improving public sector performance in a given context (“best fit”); (iii) the challenge of changing actual behaviors and incentives of public agents; (iv) if public sector management reforms are implemented in practice, the fact that they may not make the intended difference in development outcomes (improvement in systems not leading to improvements in outcomes); and (v) the possibility that political economy factors may not be fully evident until the reform process plays out.

In addition, the agenda towards better government has renewed the emphasis on the importance of sound institutions and increased demands for demonstrating and measuring progress in governance. This is partly driven by

³ This is a reference to the consensus that Williamson identified as emerging de facto with its emphasis on a paradigmatic shift in favor of macroeconomic stabilization and market-based development (Williamson, 1990)—not the more ideological version which was subsequently the basis for much controversy.

⁴ According to the OECD (2005) “good government can be described as responsive, responsible, and legitimate. [...] A responsive government listens to citizens and takes their needs and expectations into account. A responsible government is fair, inclusive, respects the rule of law, works for the collective, and looks at the medium to long term to ensure that future generations are not short-changed. A legitimate government is a government deserving of trust of citizens, including efficient use of public resources”.

the international community's concerns about the results and value for money of the support provided (Blum, 2014). In 2012, a New Consensus on Effective Institutions was reached in Busan, South Korea, encompassing 35 countries and organizations, which called on specific commitments to strengthen our public sector institutions, as part of the Global Partnership on Effective Development Cooperation. In the recent past, there has been a return to "bringing the state back in" (Evans, Rueschemeyer, and Skocpol, 1985) and "reinventing government" (Osborne and Gaebler, 1992) to achieve a "high performing public sector" and "rebuilding trust in government" (OECD, 2012). The renewed agenda on good government has thus evolved around three⁵ intertwined pillars that will be addressed in this document: (i) enhancing government's strategic, steering, and coordinating capabilities from the center for promoting whole-of-government approaches, evidence-based policymaking, and innovation in government services; (ii) strengthening government capacity to deliver, especially in the frontline of the service delivery chain at the subnational and sector levels; and (iii) furthering transparency mechanisms and accountability institutions to anchor integrity in the public sector and improve performance in public management.

Against this background of changing approaches and growing—but still limited—empirical evidence, governments in LAC are faced with the challenge of reforming their public sectors in response to growing citizen expectations within continuing fiscal constraints. While it is increasingly misleading to generalize across a very diverse region such as LAC, governments' effectiveness in

delivering inclusive social policy objectives remains mixed, particularly with regard to poverty reduction programs and the provision of social services. Citizens are not fully convinced of the merits of stated policy objectives and, where there is consensus, the critical challenge of delivering results (Barber, 2008) and closing gaps in the implementation of public policies remains a priority.

Governments in the region have some powerful reform drivers on their side. Expansion of the middle class, rising levels of education and new technologies are making governments recognize the need to adapt a citizen-centric approach to improve the delivery of public services. Placing the citizen at the center of public management is transforming the way governments govern and bureaucracies work: it is influencing the formulation, implementation, monitoring, and evaluation of public policies. Citizen-centric management has reinforced and complemented previous public sector management reform, centering on accountability reforms (such as fiscal transparency and budget accountability) and results (performance-based management and managing for development results).

The time and opportunity for innovation in governments has never been better, mainly because the tools for change have never been more robust. There is a distinct possibility for genuine public engagement, a capable civil service, predictive analytics, and open data to provide tools for significant improvements for more effective, efficient, and open governments in the region. Already, we are beginning to see significant shifts in the way governments work. Both out of necessity, as well as opportunity, citizens are being brought

⁵ A fourth pillar, not fully discussed in this document, relates to improving the understanding of the political economy of institutional change and the politics of state reform. Minimizing reform approaches that are too technical and do not address the underlying incentive structures relating to the political economy of institutional reform is doomed to fail. Best-fit reforms are those that are technically sound and politically feasible (IDB, 2006a). However, political economy risks are not always systematically considered during the design and not properly managed during the implementation of reforms and programs (World Bank, 2012). There is now much evidence showing that the success of a reform depends as much on having the right confluence of political factors and avoiding major political risks as it does on having the right technical design. The calls for "best fit" solutions rather than "best practice" recommendations emphasize the differences between the contents of public sector management reform and the importance of contextual factors in the reform process. Furthermore, institutional reforms can only work if it is tailored to the local context (Andrews, 2013).

in to work with their governments, providing the information, ideas, and innovations. Digital solutions are eliminating arcane process and capacity barriers that have kept this kind of transformation at bay.

In light of all these factors, the IDB is refining its approach to partner with client governments to help them deliver public sector results. The IDB is focusing on the promotion of effective, efficient, and open governments to improve service delivery to citizens, with a growing emphasis on the subnational and local levels and the use of information and communication technologies. The main purpose of this document is to guide the work of the IDB, through the IFD/ICS division, and provide a set of selected areas in which it will invest over the next five years to strengthen government effectiveness, efficiency, and openness.

The document is organized as follows: Section 2 examines the managerial and institutional reform levers for improving government. It distinguishes between reforms that focus primarily on policy quality and those that focus on improvements in policy implementation. Section 3 discusses the challenges of measuring good government and provides

a brief overview of the metrics that have been used to measure good government and gauge progress. It describes the indicators, indices, surveys, and simulators to measure government performance in three dimensions: effectiveness, efficiency, and openness. It also describes measures of the capabilities that facilitate these outcomes, with particular attention to digital solutions, which refers to the use of information technologies to enhance delivery and results. Section 4 sets out some of the progress that has been made in LAC and discusses some promising innovations in government. It highlights some of the cutting-edge approaches that governments are beginning to deploy to become more effective, efficient, and open. It draws particular attention to transformative technological innovations to improve government, both upstream and downstream, which include crowdsourcing, predictive analytics, and open data. Section 5 identifies the remaining challenges facing the region in improving government along these three key dimensions. Section 6 sets out three strategic niches for IFD/ICS, which correspond to the challenges identified in the previous section.

2 WHAT CAN BE DONE TO IMPROVE GOVERNMENT?

Research over the last two decades has pointed to the key variables that underpin better government (Andrews, 2008; Fukuyama, 2013; Goldsmith, 2007; Kurtz and Schrank, 2007; Rothstein, 2011; Tendler, 1997). In essence, these come down to improving institutional quality and implementation capacity. Regarding institutional quality, research has focused on the size of government, the

relationship between political power, public institutions and long-term development prospects, and the level of competition in the political and economic system, among others. With respect to implementation capacity, scholars and practitioners have focused on key issues, such as how to support the functioning of downstream agencies and harness the power of information and communication technologies (ICT).

2.1. Institutional Quality

The quality of government has traditionally been defined in terms of consistency with a set of propositions that a more limited government makes for better results, even to the extent of arguing for a night watchman state (North, 1981; DeLong and Shleifer, 1993; Knack and Keefer, 1995; Krueger 1974; Buchanan, Tollison, and Tullock, 1980; Bhagwati, 1982). According to this view, political entities with good government are those characterized by limited government intervention in the economy and minimal regulation. By contrast, polities with poor government are said to be those that heavily tax their citizens, stringently and unproductively regulate economic activity, and fail to provide a legal framework that guarantees individual and corporate property rights. A focus was placed on “downsizing” government to achieve

smaller and smarter government. Furthermore, recent research on the politics of policies (IDB, 2006b) and trust in government (OECD, 2013) has underscored the critical dimensions of the quality of policies in terms of credibility, stability, and resoluteness. These attributes, in turn, depend on quality government institutions and political economy incentives of the political system. Intrinsic attributes of good policymaking include reliability, responsiveness, openness, integrity and inclusivity (OECD, 2013).

On surveying countries around the world, however, there is no marked overall negative correlation between the size of government, measured by spending as a share of GDP, and the economic success of the country.⁶ While there are cases of governments expanding their activities to the point that they

⁶ In fact, at an empirical level, scholars have noted that a number of the countries with the highest standards of living in the world—most notably the social welfare states of Northern and Western Europe—impose heavy tax burdens on their citizens in order to pursue social policies that mitigate some of the economic risks associated with free market capitalism.

hinder the overall economy or spread government resources so thinly that key functions fail, the larger picture seems to be that some countries with high taxes are, nevertheless, able to enjoy above-average growth if they have higher social trust levels and compensate for high taxes and spending with market-friendly policies in other areas (Bergh and Henrekson, 2011). While keeping in mind that, with the clear exceptions of Argentina and Brazil where general government expenditure is approximately 40 percent of GDP and thus comparable to the average of the Organisation for Economic Co-operation and Development (OECD), government size in LAC as measured by spending is comparatively small (OECD and IDB, 2014). As such, nuanced country-level evidence is key in identifying appropriate economic and social policy responses. “Right-sizing” government requires a broader perspective on the country’s institutional history and economic trajectory, as there is no “one size fits all”.

Improving the processes for generating policy includes consideration of the broad rules of the political game that determine how policies emerge, are adopted, and are implemented. Recent research focuses on the relationship between political power, public institutions, and long-run development prospects and it has served as a useful reminder that public sector reforms are inherently political. This research, however, has been less useful for the identification of specific institutional reforms and the better understanding of the political economy challenges of government reform.

Acemoglu and Robinson (2012), for example, conceptualize good or bad government as a function of the inclusivity of the institutional framework. These authors’ thesis relates to the level of competition in the political and economic system in a given society. According to this work, good government is

equated with having an inclusive institutional framework, meaning that the institutions in a polity distribute power broadly and prevent economic elites from extracting benefits from the rest of society. Bad government, on the other hand, is equated with having an exclusive institutional framework, meaning that the institutions in a country concentrate power narrowly and facilitate attempts by economic elites to maintain their privileges and suppress the Schumpeterian process of creative destruction. The key to long-term development, according to this work, is the construction of political institutions that distribute power widely.

North, Wallis, and Weingast (2009) and North et al. (2013) also look at long-term historical evolutions. Their framework recognizes that in developing countries the limitations on freedom to form organizations are often part of a broader process to discourage violence between organizations. The limited access to forming and expanding organizations is a necessary measure of solidifying a coalition among otherwise warring political and economic elites. These authors argue that many societies with limited access to forming and expanding organizations have been able to make significant economic and political progress by improving the implementation of rule of law and by making organizations (including those within the government) more stable over time and less dependent on individuals. Although these societies correspond to the standard definitions of good government as being open, accountable, and supporting economic competition, the North et al. (2013) framework recognizes that many societies cannot attain this ideal in the near term, particularly because they need to deal with the problem of violence. A more practical line of inquiry concerns the arrangements for policy management and coordination within the executive (Rojas and Lafuente 2010; Alessandro, Lafuente, and Santiso, 2014).

2.2. Implementation Capacity

2.2.1. Supporting the Functioning of Downstream Agencies

The World Bank points out three clusters of entities that exist within the public sector (World Bank, 2012):

- **Upstream** core ministries and agencies at the center of government with cross-cutting functions mainly in charge of policy regulation, design and oversight (such as finance, planning and public administration ministries), civil service agencies, and statistical offices;
- **Downstream** bodies, including sector ministries and service agencies, that are responsible for policy implementation and service delivery to citizens and firms, providing services (such as health and education, housing, transport, electricity, security, civil and property registration) directly and through funding. These bodies typically also manage infrastructure and other public investments, which the private sector may be unable to finance or for which the private sector may be unwilling to bear all the risk.
- **Autonomous** agencies and non-executive state institutions, such as regulatory bodies, where independence is essential, and external audit offices.

Improving the functioning of the downstream agencies, including front-line service delivery agencies, entails changes to formal and informal accountability and reporting relationships. Regardless of the specific managerial arrangements, the efficiency of a downstream agency is key to ensure the quality of the public service. The public administration

literature has long focused on the structure and professionalism of the bureaucracy. The question then becomes what rules and procedures determine the efficiency and faithfulness with which the bureaucracy implements public policy.

One ideal type, the Weberian bureaucracy, is characterized by meritocratic procedures for entry and promotion in the public service, stable long-term career paths, specialized areas of expertise, and autonomy from political interference in routine agency tasks. Bad government in a Weberian framework is characterized by high levels of patronage and nepotism in staffing decisions, short-term and highly uncertain career paths, ill-defined areas of expertise, and significant political interference in routine agency tasks.⁷ Such a bureaucracy typically leads to flawed policy design and bad policy implementation. A number of authors claim that the strategy of export-led growth pursued by East-Asian countries has depended on the political autonomy and professionalism of a highly trained economic bureaucracy with long-term strategic vision (Johnson, 1982; Wade, 1990; Woo-Cumings, 1999; Evans, 1995; Evans and Rausch, 1999; Fukuyama, 2013).

Some scholars have nevertheless noted that in practice the classic Weberian bureaucracy often fails to produce high-quality public goods and services. Adherents of the New Public Management, for instance, have criticized the Weberian model as being sclerotic, static, and unresponsive to citizen demands (Hood, 1991; Bresser-Pereira, 1998). These authors favor giving public managers long-term goals and greater flexibility in staffing and

⁷ The distinction between good government as the absence of corruption and good government as the presence of Weberian bureaucracy is a conceptual one. Empirically, most evidence shows that polities with public bureaucracies that approximate the Weberian ideal type tend to suffer less corruption than those that deviate significantly from it (Dahlstrom, Lapuente, and Teorell, 2012; Desta, 2006; Fjeldstad, 2006; Kaufmann, Mastruzzi, and Zavaleta, 2003; Rauch and Evans, 2000; World Bank, 2003).

contracting procedures to meet those goals. They also generally support competition across agencies and initiatives such as performance-based pay, neither of which are present in the traditional Weberian model.⁸

Much has been written on the options for improving agency performance through the “short route” of demand-side pressures from service recipients (World Bank, 2003). More recent proposals have noted the possibility of increasing demand-side pressures through “choice”, establishing arrangements under which service users have information about the performance of schools or hospitals and then choosing to take their business to those that seem the most promising (Le Grand, 2007). This is a challenging method for organizing the public sector as it requires that public funds can follow customer choice and that entities whose services are not in demand can be allowed to fail, requiring a public sector equivalent to bankruptcy. Outside of the much-discussed education voucher scheme in Chile (Barrera-Osorio, 2009), this option remains somewhat underexplored in LAC.

Countries of LAC share a common notion of the centrality of the state, framed within the Napoleonic code and the civil-law system, which has resulted in a more formalistic approach to public sector management. On the one hand, these features provide stability. On the other, they prevent rapid structural or managerial change driven by executive decision. This tradition emphasizes the significance

of formal horizontal accountability mechanisms, which Guillermo O’Donnell described as the presence of “state agencies that are authorized and willing to oversee, control, redress, and if need be sanction unlawful actions by other state agencies” (O’Donnell, 1998:119). Two crucial pillars of horizontal accountability are legislative oversight over spending by the executive branch, and the existence of autonomous auditing institutions responsible for reviewing the legality and performance of spending across the public sector.

In all cases, the quality of policy implementation depends on whether it is done impartially and with integrity. This means rules and policies are applied equally to all citizens, irrespective of income, social status, political affiliation, ethnic background, or any other non-policy relevant characteristic of citizens (Rothstein, 2011). Conversely, the quality of government is deemed to be low when rules and policies are applied to citizens in a particularistic fashion, based upon citizen characteristics that are not directly inscribed in the policies or rules themselves. For instance, pay-to-play and quid-pro-quo schemes in public contracting would reflect low-quality government because they allocate government funds in a way that violates the formal bidding criteria outlined in bidding documents, benefiting one public contractor over another, based on willingness to bribe and not on value for money for the public. For Rothstein (2011), impartiality in the execution of policy is a central feature of good government.

2.2.2. Harnessing Digital Solutions

With modern technology, the effectiveness, efficiency, and openness of government depend increasingly on digital solutions for all (e.g., broadband expansion) to facilitate the flow of information within the government

and among citizens. The eruption and speed of technological change have been the most disruptive innovations in history, for better or worse: the emergence of ICT has created a new ecosystem, commonly known as the

⁸ The New Public Management model implicitly assumes that a small and highly competent remnant of traditional bureaucracy remains in place near the top to administer the contracting and incentive processes.

information society or the knowledge-based society. The 175 countries that signed the Tunis Commitment in 2005 of the World Summit on the Information Society of the United Nations (UN) demonstrated a forward-looking vision of the future of government. What they could not have anticipated at the time is that five years later, the same city would witness the power of ICT to extend and strengthen democracy.¹⁰ Citizens are increasingly connected, requiring faster and better services. In 2013, 2.7 billion people were connected to the Internet, 6.8 billion had mobile-cellular subscriptions, and more than 700 million possessed their own websites. Facebook has more than a billion active users, Twitter's membership is close to 300 million, and 204 million emails are sent every minute (ITU, 2013). Citizens in this new cyber world are better informed and, as a consequence, demand more and better services and new opportunities to participate in public affairs.

New technologies are not only empowering citizens; they have opened new opportunities for governments to serve their citizens in more effective, efficient, and transparent ways. Improving the government's digital capabilities supports not only transparency and accountability, but also efficiency within the government (back-office modernization) and effectiveness of the government (front-office transformation) in core areas, such as policy development, strategic planning, financial management, performance monitoring, and service delivery. Open Government Data has emerged across OECD countries as a key way

to ensure greater transparency and accountability, to inform citizen's choices, and to stimulate economic growth by encouraging new services based on public data (Ubaldi, 2013). It is one of the main pillars of the Open Government Partnership, an international initiative to increase governments' commitment for greater openness.

Evidence suggests that ICT generates substantial productivity gains and positively impacts the delivery of public services. Reports from the OECD and the European Union (EU) credit ICT with generating 50 percent of the gains in productivity in the EU during the period 2000–04. Research in the Government of the United Kingdom came to a similar conclusion: a 50 percent increase in productivity due to investments in ICT (Dunleavy and Carrera, 2013). The impact of ICT on government efficiency has also been reflected in specific public services. For example, when the government of Andalucía, Spain, implemented an e-health system to provide better health services to its 8 million inhabitants, it reduced costs by 94 percent in managing the appointment process and by 71 percent in all X-ray-based diagnosis (Ferrer, 2010).

While different governments have introduced these and other innovations to improve their performance over time, assessing their results has been a difficult endeavor. The success of a public management initiative is often considered a failure by the next administration. The limited empirical evidence of how improvements actually translate into better government is a challenge for promoting long-term reform.

⁹ This document underscores that "ICTs are effective tools to promote peace, security and stability, to enhance democracy, social cohesion, good governance and the rule of law, at national, regional and international levels. ICTs can be used to promote economic growth and enterprise development. Infrastructure development, human capacity building, information security and network security are critical to achieve these goals."

¹⁰ The social protests initiated in Tunis in December 2010 owed much of their growth to the power of social networks such as Facebook, YouTube, and Twitter to deliver messages to millions of people instantly. The arrival of democracy in Tunisia was followed by other instances of ICT-supported social and political upheavals in Algeria, Bahrain, Egypt, Libya, and Yemen, in what was known as the Arab Spring.

3 HOW CAN IMPROVEMENTS IN GOVERNMENT BE MEASURED?

3.1. Three Key Attributes of Good Government

The first necessary step toward measuring government activity is to set out the key attributes sought. As noted earlier, the dimensions of better government include effectiveness in achieving intended results through improved public sector management; efficiency in terms of cost efficacy in delivering public services; and openness of public institutions and policy-making, a key driver in both these concerns.

- An **effective** government achieves results that respond to the needs of its citizens. For instance, it manages on the basis of results; that is, it makes decisions based on the best available evidence about the outcomes from what it has done.
- An **efficient** government can be understood as one that is effective in achieving agreed policy objectives at the least cost. Costs are measured both in financial terms and in lost opportunities, and so reducing the transaction costs for citizens in their interactions with public sector agencies is one key aspect.
- An **open** government seeks to engage with citizens in collaboration schemes to co-create public value by making information clearly and readily available to its citizens, so that they may participate in the design and implementation of public policies and services and hold governments accountable.

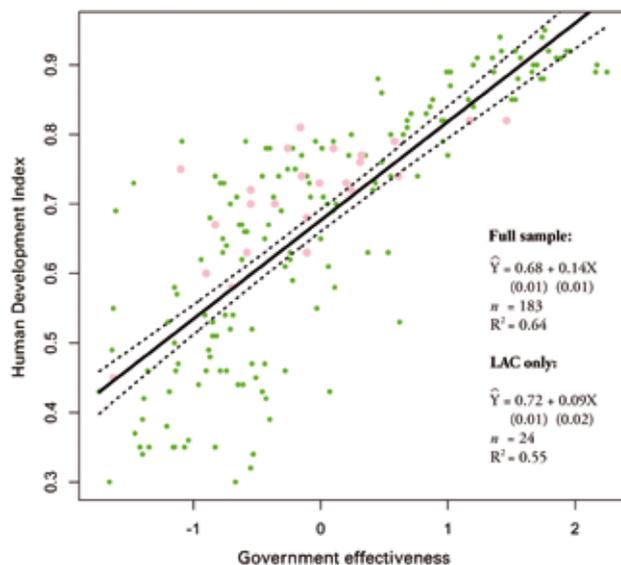
Effectiveness, efficiency, and openness are important for successful policy implementation, both for upstream core functions that cut across sectors such as regulation and for downstream functions in the delivery of outputs that directly matter to citizens and firms (World Bank, 2012). Moreover, in aggregate terms, each of these dimensions of good government is associated with positive development outcomes.

Measuring the changes in institutional capacities and their impact on socio-economic outcomes is challenging because of the lack of a readily available counterfactual. Therefore, the experimental and quasi-experimental methods that have been used extensively in other sectors are only emerging in the assessment of public management innovations. See the Appendix for a review of the methods used to measure the quality of government.

Concerning **government effectiveness**, Figure 1 depicts the cross-country correlation between the World Bank's Worldwide Governance Effectiveness Indicators (WGI) and the Human Development Index of the United Nations Development Programme (UNDP). The government effectiveness indicator reflects perceptions of the quality of bureaucracy, the quality of public service provision, the competence of civil servants, and the political independence of civil service. It draws on assessments by risk specialists, surveys of academic experts and business executives,

and citizen surveys. While one should be cautious about the use of such aggregate perception indicators—and a number of scholars, in fact, have expressed skepticism regarding the use of hold-all, stand-alone indicators to assess government performance (Andrews, 2010; Thomas, 2009)—it is nonetheless instructive to see how strongly human development is associated with this measure of government effectiveness.¹¹ The figure shows that individuals are more likely to realize their full potential in societies that perceive their governments as being effective in delivering on promises and expectations.

Figure 1: Effective Government

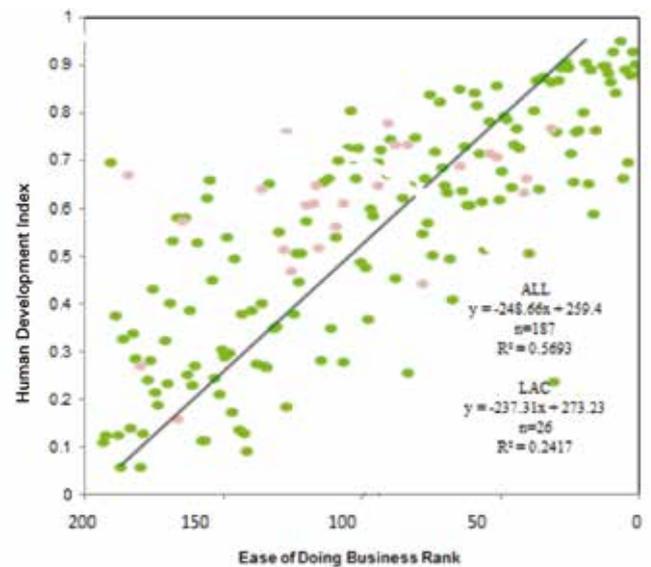


Source: The graph was produced by Daniel W. Gingerich.
 Notes: The graph shows the bivariate association between the World Bank's WGI (2011) and the UNDP's Human Development Index (2011). Countries in the LAC region are depicted by large pink circles. Countries in other regions are depicted by smaller green circles. The estimated regression line for a regression of the human development index on the effectiveness index is shown as a thick black line. Ninety-five percent confidence intervals are shown as dashed lines.

Regarding the aspect of **government efficiency** concerned with the extent to which governments are able to reduce transaction costs for citizens in their interactions with public sector agencies, Figure 2 depicts the cross-country correlation between the World Bank's Doing Business ranking (2014) and the Human Development Index (2012) of the UNDP. The figure shows that countries that rank higher on the former tend to have a higher Human Development Index score.

The association reflected in the figure is significant, with an R-squared statistic of 0.56. Although this correlation does not

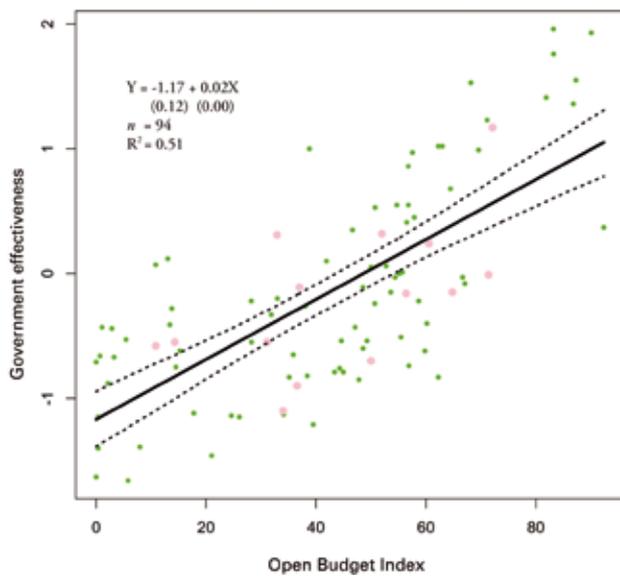
Figure 2: Efficient Government



Source: This figure was produced by Daniel W. Gingerich.
 Notes: Graph shows the bivariate association between the World Bank's Doing Business ranking (2014) and the UNDP Index (2012). Pink circles depict countries in LAC; green circles depict countries in other regions. The estimated regression line for a regression of the human development index on the effectiveness index is shown as a thick black line.

¹¹ A simple bivariate regression of human development onto effectiveness produces an R-squared statistic of 0.64. Taken alone, this does not imply a causal relationship, but it at least suggests the strength of the relationship. It is likely that the relationship between government effectiveness and economic development is of simultaneous influence in both directions. Unfortunately, the available data on the quality of governance is too recent to adequately measure the level of endogeneity between both variables. Certain authors have argued that economic development plays a strong role in defining the quality of government (Glaeser et al., 2004; Goldsmith, 2007; Kurtz and Schrank, 2007; Przeworski, 2004). Some powerful theoretical and empirical arguments, described in the previous paragraphs, can support the claim that institutions are key drivers of economic development.

Figure 3: Open Government



Source: The figure was produced by Daniel W. Gingerich.

Notes: The figure shows the bivariate association between the World Bank's WGI (2011) and the IBP's Open Budget Index (2010). Large pink circles depict countries in the LAC region. Smaller green circles depict countries in other regions. The estimated regression line for a regression of the effectiveness index on the budget openness measure is shown as a thick black line. Ninety-five percent confidence intervals are shown as dashed lines.

necessarily represent a causal relationship, it does suggest the importance of low transaction costs of public services for good development. Moreover, efficient services can be

valuable in themselves, contributing to citizens' sense of empowerment and increasing their trust in government.

Regarding government openness, Figure 3 considers the correlation between budget openness and government effectiveness. The Open Budget Index, created by the International Budget Partnership (IBP), shows the level of transparency in preparing and executing the budget.¹² The figure shows that countries with open budgetary processes tend to have more effective governments. The association is significant, with an R-squared statistic of 0.51. Although, again, this correlation does not necessarily represent a causal relationship, it does provide evidence of the importance of access to information for good government.

As discussed above, effectiveness, efficiency, and openness are three crucial dimensions of good government that are relevant to modernizing the machinery of government. This section provides an overview of indicators, according to their use, for measuring the good government dimensions of effectiveness, efficiency, and openness, as well as a cross-cutting characteristic related to the digital capability of governments.¹³ A more detailed discussion can be found in Appendix 1.

¹² The Open Budget Index is based on the responses of experts and practitioners to more than ninety questions about the type and quality of information available to the public at successive stages of the budget process. The higher the value, the more national spending decisions are made in a way that is readily observable by citizens and the public.

¹³ The governance literature uses seven main types of metrics for quality of government: (i) aggregate perception indicators; (ii) targeted expert surveys; (iii) metrics based on judicial or legal records; (iv) metrics based on discrepancies in prices paid in government contracts or in the allocation of funds for social programs; (v) large-scale surveys of citizens; (vi) surveys of public employees; and (vii) metrics based on simulations conducted in the field.

Table 1. Dimensions and Metrics of Good Government

Good government dimensions	Examples of metric instruments
Effective government	<ul style="list-style-type: none"> • World Bank’s Worldwide Governance Indicators • Region-wide citizens and expert surveys (AmericasBarometer; The Quality of Government Institute’s Expert Survey) • Simulations on the field
Efficient government	<ul style="list-style-type: none"> • United Nations E-Government Survey • World Bank’s Doing Business report • IDB Civil Service Development Index
Open government	<ul style="list-style-type: none"> • Corruption perception surveys • International Budget Partnership open-budget rating • Public Expenditure and Financial Accountability Assessment • Expenditure tracking services
Transversal characteristic	Examples of metric instruments
Government digital capability	<ul style="list-style-type: none"> • United Nations E-Government Survey • World Economic Forum’s Global Information Technology Report • International Telecommunications Union’s World Telecommunication/ICT Indicators database

Source: Authors’ elaboration.

3.2. Measuring Effectiveness

Effectiveness entails delivering results that can be measured by outcomes delivered, including sector outputs adjusted for quality. Citizen surveys reveal the satisfaction or discontent with methods of government and service delivery outcomes in general and in specific areas. Region-wide citizen surveys, such as the AmericasBarometer of Vanderbilt University, assess government effectiveness, and expert surveys, such as the Quality of Government Institute’s expert survey, gauge the impartiality of government. The World Bank’s WGI combines a cross-section of a wide variety of indicators to derive rankings on six key dimensions of governance, four of which pertain to effectiveness: Political Stability and Lack of Violence, Government Effectiveness, Regulatory Quality, and Rule of Law.¹⁴

Another approach is to use simulations in the field, covertly evaluating a government agency’s performance and gauging its efficacy, impartiality, and accountability. This approach is particularly relevant for transactional public services. Putnam (1993) sent letters to the health, education, and agriculture departments of each region in Italy, requesting information about activities and procedures of the departments. The timeliness and clarity of responses were coded into an index of government performance for each region. Similarly, a recent study (Chong et al., 2012) measured the efficacy and efficiency of postal systems by sending letters to non-existent business addresses in 159 countries. Each letter contained the same return address and a request to “return to sender if undeliverable.” Based on the

¹⁴ The set of indicators available and the weights assigned to them varies across time and over time for each country, which makes the comparability of ratings and rankings difficult. To measure effectiveness of service delivery in a specific sector, there are many standard indicators of outcomes: literacy rates, test scores, enrollment and attendance data, and graduation rates in education; morbidity and mortality rates in health; crime, arrest, and conviction rates for the security sector; and road conditions, traffic volume, and transit times in the transport sectors.

percentage of letters returned from each country and the time it took, the authors created an index of postal efficiency and efficacy. They found that the index was highly correlated with levels of education and income, as well as the use of postal code databases. Public expenditure tracking surveys reveal fiscal effectiveness

3.3. Measuring Efficiency

As noted, the efficiency of governments includes their capacity to reduce transaction costs for citizens in their interactions with public sector agencies. This concerns, in particular, the delivery of transaction-based public services such as birth registration, national identification, property rights, unemployment insurance, tax payment, or license permit. To measure this efficiency frontier analysis—graphically or econometrically—combines observations about both performance and unit costs for citizens and companies in their interaction with public sector agencies. At the sector level, outputs can be measured and compared between countries and over time. A persistent challenge is to measure output quality that, in essence, is the strength of the causal relationship between the output and the achievement of the policy objective.¹⁵

The World Bank's Doing Business report provides an example of government efficiency by assessing the transaction costs of companies (through the time and cost it takes to start the business, register the property, trade across borders, and obtain electricity connections) by observing each country's laws and regulations. Local experts verify the data. Doing Business indicators measure the number of days, procedures, and the cost (as

and accountability by measuring the share of expenditure outlays for a program, such as one relating to nutrition subsidies for low-income households, which actually reaches the target beneficiaries. López-Cálix, Seligson, and Alcázar (2009) used this technique in a study of Peru's Vaso de Leche (glass of milk) program.

a percentage of income per capita) needed to perform the tasks involved in starting a business. In *stricto sensu*, these are not outputs; rather, they are measurements of the effects of government regulations relating to the reduction of transaction costs to improve the enabling environment for doing business. A limitation of these indicators is that they are "*de jure*" (i.e., legal measures) rather than the *de facto* measures (i.e., actual time and cost of these procedures).

A variety of approaches have been developed over the past decade to evaluate and document how the incorporation of e-government tools helps reduce transaction costs and, hence, improve governmental efficiency. For example, a study by the Danish Ministry of Finance and Accenture (2003) identified two dimensions of value creation through e-government: (i) value to investors in terms of tangible financial benefits, cost savings, cost avoidance, and increased revenue; and (ii) value to users in terms of improved services, reduced costs and time savings to citizens, as well as reduced administrative burden to businesses.

There are numerous studies that measure the reduction of transaction costs for citizens and companies in their interactions with public sector agencies through the physical

¹⁵ In his review of output measurements for the Government of the United Kingdom, Tony Atkinson points out that the quality of an output or service is really a measure of "the attributable incremental contribution of the service to the outcome" (Atkinson et al., 2005: 42). The OECD (1997) gives the example of a health service spending money on outputs which evidence-based medicine suggests are useless—for example, most tonsillectomies. Even if lots of tonsillectomies are being performed ever more cheaply, the efficiency is zero, since there is no relationship between them and achieving the policy objective of improved public health.

and virtual integration of service centers, including very diverse cases such as those in Australia, China, India, and the United States. For example, in LAC, the Time Saver Center (Programa Poupatempo) in São Paulo, Brazil, brings together multiple services in a single location. Each person who requires a service can register with the appropriate agency through a computerized tracking service and receives an electronic ticket indicating the services needed and the estimated waiting time. Citizens may then receive different services at the same time, such as a driver's license, identification card, and unemployment insurance. *Programa Poupatempo* demonstrates that significant improvements in service delivery can be realized without a great deal of back-office re-engineering (Ndou, 2004).

Recent studies have also shown improvements in efficiency through the recruitment of public sector managers by way of senior executive service systems (Lira, 2012). Chile's Sistema de Alta Dirección Pública outsources the long listing of public sector managers in the first two tiers of service delivery agencies to private sector firms (ensuring a "merit filter"), but still leaving the political authorities with the final decision for the selection and/or dismissal of these managers. In hospitals where this system was implemented, a number of efficiency indicators generally used in the health sector (e.g., average stay of patients) have presented improvements compared to hospitals without the system (Lira, 2012).

A capable, performance-based, and results-oriented public administration and civil service is critical. A number of studies have found evidence to suggest that having a professional civil service leads to higher economic growth and per capita income, less corruption, and reduced poverty (Acemoglu,

Johnson, and Robinson, 2001; Dahlström, Lapuente, and Teorell, 2011; Dollar and Kraay, 2003; Evans and Rauch, 1999; Henderson et al., 2003; Knack and Keefer, 1995; Mauro, 1995; Rodrik, Subramanian, and Trebbi, 2004). It also brings greater trust in the government (Cai et al., 2009; Maxfield and Schneider, 1997; Sacks, 2010; Van de Walle, Van Roosebroek, and Bouckaert, 2005), and better execution of the investment budget (SERVIR, 2014).¹⁶ In a recent publication on civil service reforms in Latin America, the IDB (2014) shows that reforms are possible and progress has been made over the last decade. Restructuring and modernizing the civil service is undoubtedly one of the most challenging areas of public sector reform, yet it is one of the most critical.

Public sector management reforms are often thought of as changes in the formal *de jure* institutional frameworks and managerial arrangement in the center of government and in sector agencies but, ultimately, successful public sector management reform is about changing the *de facto* behaviors of agents within the public sector; that is individual bureaucrats and their incentives (World Bank, 2012: 3). Reforming the civil service has complex political economy dimensions relating to the politics, power, and incentives that influence public sector employment. Indicators for the professionalization of the bureaucracy have included aggregate civil service professionalization indices, proxy indicators for professionalization, and public employee surveys. Civil service professionalization indices include the IDB's civil service diagnostics (IDB, 2006b; IDB, 2014) and proxy indicators for professionalization include administrative and leadership instability, which indicates institutional weaknesses and directly reduces governments' effectiveness.

¹⁶ In Peru, a preliminary analysis of the National Civil Service Authority (SERVIR) (Autoridad Nacional del Servicio Civil) shows that the creation of a team of professional managers in 2008, the so-called Public Managers Body, and its introduction into regional governments led to an improvement in public investment execution by more than 88 percent, on average, when compared to the period prior to implementation.

3.4. Measuring Open Government

Openness of government is the focus of many governance indicators, which have proliferated since the 1990s. This concept seeks to capture the degree of access to information, transparency in the application of rules, responsiveness in the methods of government, and accountability with regard to the results of government. Openness reduces the information asymmetry between citizens, treated collectively as the “principal”, and political leaders, who act as the “agents” of the citizens (Klitgaard, 1988): citizens would like their leaders to behave in ways that improve societal welfare but they cannot perfectly observe their leaders’ actions nor know their intrinsic dispositions. Open information and transparent government are the main antidotes to this problem. Considerable evidence shows that, where citizens have unrestricted access to information, levels of corruption are generally lower than where information is limited (Adserà, Boix, and Payne, 2003; Brunetti and Weder, 2003; Reinikka and Svensson, 2005; Pande, 2011).

A variety of indicators have been developed over the last two decades to measure government openness. These include Transparency International’s Corruption Perception Index, the Control of Corruption and Rule of Law dimensions of the World Bank’s Worldwide Governance Indicators, the sub-indices of the World Economic Forum’s (WEF) Global Competitiveness Report, the IBP Open Budget Index, and the Global Integrity’s Global Integrity Report. These are mostly based on surveys of citizens’ perceptions that could digress from reality owing to, for example, an increased perception of corruption being the result of greater transparency in disclosure, more cases of prosecution due to corruption, and greater public awareness.

Objective indicators of corruption have been devised in recent years, especially in terms of the business environment and public financial management. With regard to the business environment and economic competitiveness, the European Bank for Reconstruction and Development and World Bank have developed the Business Environment and Enterprise Performance Survey, which is a confidential questionnaire to businesses about their experiences in dealing with government officials. Special attention is given to actual instances of corruption and bribery.¹⁷ Risk rating firms, especially those focusing on political risk such as Fitch Ratings or Eurasia Group, have developed metrics of corruption, mainly based on the opinion of experts. The International Country Risk Guide from the PRS Group, founded in 1979 as one of the earliest commercial providers of country risk forecasts, combines country expert opinions on 22 variables in three subcategories of risk for potential investors: political, financial, and economic. The political risk rating assesses the country’s political stability and the financial and economic risks rating assess, among others, its ability to finance its official, commercial, and trade debt obligations, which are proxies of government effectiveness.

Important advances have been made in measuring the quality of government financial management and the strength of country integrity systems. Since the early 2000s, the multidonor Public Expenditure and Financial Accountability program has been applied to over 130 countries. The reports are country-specific, based on a common methodology, with rating categories to assess the quality of financial management and accountability systems (aggregate fiscal discipline, strategic resource allocation, and efficient use of resources), including public procurement, legislative oversight, and government auditing.

¹⁷ To date, four surveys have been undertaken in 29 countries within the Eastern Europe and Central Asia region. The Business Environment and Enterprise Performance Survey has yet to expand into the LAC region.

Unrestrained public access to key budget documents is a principal dimension of government openness. The IBP Open Budget Survey and the Resource Governance Index of the Natural Resource Governance Institute (formerly the Revenue Watch Institute) track the timeliness and completion of key public documents relating to budget and revenue. The IBP Open Budget Survey consists of 125 questions completed by independent researchers in 100 countries (including LAC countries) and focuses on the information of eight key

budget documents. The answers contribute to the Open Budget Index, a broad measure of a country's budget transparency. In the particular area of natural resource governance, the Resource Governance Index scores and ranks 58 countries, including most major LAC countries. It uses a detailed questionnaire completed by experts in the extractive industries and assesses the quality of four governance dimensions of the sector (institutional and legal setting, reporting practices, safeguards and quality controls, and enabling environment).

3.5. Measuring e-Government

Technological innovation is a cross-cutting driver of government modernization. The “digital revolution” has great potential for improving the efficiency, effectiveness, and openness of public sector management upstream within the machinery of government and downstream in the delivery of public services. It is also redefining the relationship between and interaction with citizens. A range of metrics has been developed to measure the digital capability of governments.

The UN's biannual E-Government Survey and the Global Information Technology Report of the WEF provide 10- and 12-year time series, respectively. Each includes more than 50 indicators that comprehensively assess the use of ICT in the public sector.

The UN ranking places more emphasis on the availability of public services online, while the WEF ranking concentrates on how citizens perceive the use of ICT to improve operations in the public sector. These different approaches explain the reasons why researchers and practitioners tend to use metrics to analyze the status of e-government in a specific country or region. With regard to broadband, scholars and policymakers alike use the World Telecommunication/ICT Indicators database, a widely shared metric which is published annually by the International Telecommunications Union. This database provides detailed information regarding the coverage, use, and access to ICT, as well as how key connectivity indicators evolve over time.

4 SEIZING OPPORTUNITIES: PROGRESS AND PROMISING INNOVATIONS

4.1. Signs of Progress

The efforts of LAC countries to improve government performance have shown progress and are delivering better results. While not linear, public sector reforms have fostered an incremental improvement in government effectiveness in the region over the last decade. The percentile ranking of LAC in the World Bank's WGI, for instance, improved from the 53rd to the 58th percentile from 2002 to 2012. The region has also pushed forward ambitious decentralization efforts with local governments increasing their role in public policy delivery, especially in federal states.

The more advanced LAC administrations have introduced tools for performance-based and results-oriented management, which have established the basic capacity for monitoring and evaluation and have helped to promote a more cohesive management of government. Integrated financial management has provided the basis to connect the budget cycle with the actual implementation of investment programs, financially and physically (although the link to actual results remains weak). Strategic planning and the monitoring of performance have drawn from the advance in program budgeting in terms of baselines, objectives, indicators, goals and, in some cases, reliable means for verification. Sector and agency information systems have enhanced the quality of administrative registries, as well as the information relating to process, outcomes, and performance.

National statistics institutes are working with their respective ministries and subnational governments to provide better baselines and indicators, particularly with regard to geo-referenced information. Several countries are strengthening their monitoring and evaluation systems, and some countries have specialized administrative units to do the necessary reporting and follow up (GIZ, 2012; Mackay, 2007; May et al., 2006). A few countries have made progress in measuring public sector productivity (e.g., Chile, with its ChileGestion program) and, in other nations, the respective comptroller's office has introduced performance audits (e.g., Brazil).

Providing effective income subsidy and other social protection programs is one of the most important advances of government. Many countries in the LAC region have developed model cash subsidy programs, conditional cash transfers, and reformed social security systems (Lindert et al., 2007; Robalino, Ribe, and Walker, 2010). Importantly, as part of these programs, several governments have developed the capacity to utilize large databases and have placed the development of integrated digital data systems on their agenda.

Some countries in the region have substantially improved management processes and delivery capabilities with the more intensive use of ICT. Chile, for example, has become a reference point in terms of making government

procurement transparent, while Uruguay uses ICT systems in its education sector and Panama uses it for paperless government policies. Uruguay has strengthened its public employment practices through its public employment portal, Uruguay Concurso, where all public sector vacancies are published for online application by its citizens. In Colombia, online services such as those for birth certificates, land ownership certificates, and criminal records, as well as the one-stop-shop for foreign share trades, have eliminated the use of paper and the waiting lines of its citizens. Colombia has made steady progress in adopting ICT within the public sector since it launched its first Connectivity Agenda in 1999 and its Vive Digital plan in 2010. These and other actions have placed Colombia within the top 50 countries in the rankings of the UN *E-Government Survey* (UN, 2012) and the WEF *Global Information Technology Report 2013* (see Porrúa, 2013).¹⁸

Actions relating to open government and targeted transparency policies have gained traction over the last few years with a focus on seeking tangible improvements in the provision of services. Transparency policies are being earmarked to ensure that public policy becomes a reality to specific user groups in terms of the needs of the population, promotion of incentives, and citizens' capacity to understand the information. This is done through simple and efficient mechanisms that will facilitate access to and use of information (Molina and Vieyra, 2012). Brazil's General Comptroller has developed a Public Expenditure Observatory to track, monitor, and prevent corruption in federal government spending. This tool analyzes the huge mass of data relating to procurement and the acquisition of goods and services. Through the Public Expenditure Observatory, the Government has been able to identify anomalies in the granting and use of more than 90,000 fishing

licenses, leading to approximately US\$99 million in fiscal savings. In Ecuador, the design and implementation of targeted transparency policies has improved, by over 50 percent, the capacities of Ecuadorians to understand information relating to the oil sector at the subnational level (Dassen and Vieyra, 2012)

At the inter-governmental level, coordination of joint policy and programs with shared priorities has had some success. For instance, the Qualifica program in Pernambuco, Brazil, aims to align all levels of government for the achievement of a common goal, such as job creation. In Mexico's National Employment Service, the federal government has set the norms and procedures for labor intermediation and has provided technical and financial assistance to the local offices, which are part of the administrative structure of local government and which operate the service. Colombia's Contrato Plan aims to mobilize different jurisdictions to agree to a uniform vision for regional development. Typically, local and regional governments prepare initiatives that cover infrastructure investment and social and economic services. These are brought to the national government for approval, and every participating subnational government commits some of its own resources.

To facilitate more rapid access to public services, many LAC countries have integrated their services and agencies into a single, virtual window. This approach is now being applied to a substantial number of transactional public services, such as those relating to birth and corporate registrations, tax filing, public utilities, social security, and the delivery of information relating to education and pension and subsidy services, among others. The location of multigovernment, self-service virtual terminals varies: from town squares or corner kiosks in Coahuila and Chiapas, Mexico, to the large

¹⁸ Among other policies that explain this progress, Colombia has eliminated all value added tax or import tax on ICT-related equipment, which has helped the country to achieve the highest penetration of tablet PCs in the region in 2013.

malls of Bogota and Lima, to the tax administration office for filing taxes online. Chile's ChileAtiende program integrates the services of public institutions relating to citizens—an important step toward providing them with a

4.2. An Opportunity

Although LAC countries differ economically and politically, most are middle-income economies and have experienced robust growth over the past decade (averaging 4.2 percent, annually), have rational economic policies, and have improved fiscal management. The reduction in poverty (70 million people have risen above the poverty line since 1995) and, more significantly, the dramatic increase in the size of the middle class (about 50 million over the same period) represent a significant opportunity to improve the quality of governments.

The opportunity that e-government can provide is one where the long cycle of social mistrust in government can cease. E-government will encourage not only a belief in one's government—with an end to the significant tax avoidance that exists—but it will also attract the public to the services offered to them (Corbacho, Fretes Cibils, and Lora, 2014). Citizens in the LAC region, in general, do not trust the capacity of the state to meet their expectations in terms of quality of service (Inglehart et al., 2008; Graham and Sukhtankar, 2004). For example, according to the AmericasBarometer (LAPOP, 2011), the index of satisfaction for services provided by the state in the LAC region showed that citizens in 11 of the 19 countries surveyed were less satisfied in 2011 than they were in 2009. Only 31 percent of the region's citizens trust their government, compared to 43 percent in the principal 15 countries of the

4.3. Promising Innovations

Governments in the LAC region now have cutting-edge approaches aimed toward effectiveness, better efficacy, and openness. Particular attention is being given to technological

complete description of the public services available to families. With this information on a single website, administrators can now identify the gaps, coordinate the provision of services, and generate economies of scale.

EU (Latinobarómetro, 2003–05; Eurobarometer 62, 2005). By the same token, 20 percent of citizens in LAC believe that their tax revenues are well spent (Latinobarómetro, 2003–05).

Firms also are distinctly skeptical that government spending decisions are efficient or technically sound, with particular concerns regarding the government's ability to maintain arms-length relationships with the private sector (WEF, 2013). In the second half of the 20th century, this led to a situation where the region's small upper and middle classes had limited commitments to and expectations from their government; one where they were encouraged not to pay much tax nor expect to receive much from the public service. As a result, these classes opted to pay for private services, including basic services such as electricity and security.

The rise of the middle class to turn towards public services represented 30 percent of the region's population by 2009—a remarkable development—with Brazil, Colombia, and Mexico reflecting the most improvement. Those countries with a larger middle class will experience greater expectations by the public from government; they also have a more educated pool from which to recruit staff for government services. In sum, an end to tax avoidance and low-quality public service may be around the corner. With the appropriate investment, the quality of public services and their administration will improve.

innovations to transform government. Recent innovations include crowdsourcing, predictive analytics, and an increased use of data, particularly open data. These tools, when

accompanied by the changes in how bureaucracies and their leaders work, are allowing for broad-based, systemic changes in public sector governance. The common thrust of these innovations exists in the better management of public information and the integration of information management systems by governments and citizens alike.

These tools are also encouraging citizen participation and oversight. Crowdsourcing is eliminating the barriers that exist between government officials and the public, thus contributing new energy and vast knowledge in relation to difficult challenges (Estellés-Arolas and González-Ladrón, 2012).¹⁹ Predictive analytics uses new data resources and models to find the broader patterns behind the events that public policy seeks to address, allowing government officials to view problems more comprehensively and from a wider perspective. The advantages that these innovations bring contribute to: (i) closing the gap between bureaucracy and the public; (ii) allowing agencies and governments to integrate their work and share their knowledge; (iii) enhancing transparency and integrity in government; (iv) providing new tools and information to public officials to better use their judgment and expertise to resolve problems; and (v) providing mechanisms for public managers to enhance accountability.

The opening up of government data eliminates the division that has existed between government and civil society and among the departments within government. Data becomes most useful when it is shared and leveraged. Effective and open governance dissolve the hierarchies that were created through bureaucratic

tradition and conventional rules; they contribute to an understanding of how to use creativity and capacity across and beyond government to better provide solutions. Technology is a means to that end and provides the essentials to make transformation possible. Many governments, however, are slow to apply these tools into their day-to-day activities.

The technological gaps that are still found in many LAC countries restrict the adoption of many of these largely technology-based innovations. Efforts to make government more effective, efficient, and open through the use of technology should include overcoming the technological challenges that face public organizations and the communities they serve. Solutions—such as increased broadband access, acceptable Internet connectivity speed, smart phones, advanced software—may take on distinctly localized forms that adjust to the particular priorities and characteristics of each community. The reach of texting and smart phones, Internet access, and reduced startup costs through cloud computing provide an encouraging platform for innovation.

Technology, however, is only one of the mechanisms that can drive innovation in government. Fundamentally, innovation rests on the culture of the organization, the tone of which is set by its management, and the willingness of public officials to incorporate more broadly the ideas and needs of citizens. The processes that successfully will lead to breakthroughs rely on a willingness to convert new data and human resources into focused pre-emptive action, producing better outcomes from new actions taken.

4.3.1. Crowdsourcing

Citizens have always had ways in which to inform their governments of their needs and concerns. They can do so at town-hall meetings,

through suggestion or complaint hotlines, or through the election process itself. These processes, however, limit the involvement of

¹⁹ Crowdsourcing is the practice of obtaining needed services, ideas, or content by soliciting contributions from a large group of people and especially from the online community rather than from traditional employees or suppliers.

citizens in government issues to only a fraction of the public's real capacity and they lag far behind government activities. While citizens can react to the actions of their elected officials, they have few opportunities to act in a timely manner with their governments to make a real collaborative difference. For governments, it means bringing citizens into the policymaking process sooner by developing feedback mechanisms that include digitally-enabled ones.

Crowdsourcing platforms provide a way for the public to engage collaboratively, resulting in improved resource priorities, effective solutions to operational issues, and new policymaking. Cities throughout the world, including a number in the LAC region, have already begun bringing citizens into the various points of their budgeting processes to influence the allocation of major items and the direction of predetermined discretionary funds. Technology platforms have helped citizens to become informed, state their opinions, brainstorm ideas, and cast their votes, thus allowing them to become engaged and influence funding issues.

- Crowdsourcing is a means through which citizens become the eyes and ears of government and can share their experiences in order to better inform government decisions. For example, smart-phone applications, 311 calls, and texting can allow citizens to provide passive or active feedback to their government, especially with regard to local government. Through crowdsourcing, governments can gather information relating to road conditions, public safety, and a range of other key public

4.3.2. Predictive Government

Until recently, government was largely restricted to reacting only in response to operational and policy issues. Technology is now allowing government (through analytics, data mining, new systems and ideas) to anticipate issues and needs prior to becoming apparent. Strategic planning,

services. Using the data will encourage governments to prioritize activities at a lower cost, such as street repairs, environmental efforts, and policing.

- Crowdsourcing allows citizens to not only share information but also be a source for the collaboration of ideas for innovation. Crowdsourcing can include the solicitation of text suggestions from citizens, engagement with government experts through a digital platform, or through competitions that offer grants or prizes to solicit new ideas from residents and employees alike. Internal platforms allow governments to gather insight and break down the significant barriers between departments and between citizens and government.
- Crowdsourcing not only provides a means by which the public can voice their opinions and ideas; it empowers people and enables them to participate in their government.

While crowdsourcing efforts are often built on digital platforms, enabled through portable devices, they are ultimately a new way of providing services. While government officials and civil service employees may have the necessary knowledge and skills to help communities to grow and prosper, they may not be open to innovation. By being service-oriented, government officials can gain more insight and, combined with ideas through social engagement, they will be able to overcome challenges and create innovation.

coordination and foresight, including crisis management—are increasingly being reshaped by the opportunities provided by technological innovation and information management.

By accessing new and existing data sources, governments can examine the

underlying patterns that drive events within their jurisdiction, allowing them to act before the problems arise. By using predictive approaches, governments can do more with less, as well as provide better services that are tailored to the needs of changing populations. They can act before receiving calls for change from their citizens.²⁰ Government resources can be used to maximum effect: by ensuring the availability of ambulances near areas where there are high volumes of calls and an aging population; by varying tolls, based on traffic congestion and in response to driver demands. Similarly, data-driven innovation can produce more efficient regulation and monitoring. Government regulating resources that are stretched thin and have very significant backlogs can slow the decision-making process in relation to small businesses and consumers alike, which can be detrimental to

them. Predictive analytics can assist reviewers/inspectors to manage and prioritize their workload better. As an example, New York City applies predictive analytics to focus its fire inspections on those properties most at risk of burning.

Through predictive analytics, government officials are better able to avoid acting randomly and having to learn through trial and error; rather, they will be able to act with sufficient correlative information by running statistical analyses between competing concepts. Patterns will emerge from the analyses and become actionable, enabling the system to hold the institutional knowledge that can be lost over time through the movement of human resources.²¹ Predictive analytics can capture insights in a systematic way, test hypotheses, and build on them in order to use resources to the maximum benefit for citizens and communities.

4.3.3. Open Data

Governments worldwide, including in the LAC region, increasingly understand that data is one of the most prized assets. Every transaction, record, process, and study will produce volumes of data that can reveal the state of a country, province, or city. Results-based management and evidence-based policymaking—including core steering functions of strategic planning, performance monitoring, and impact evaluation—require relevant, reliable, and timely data for government. The recognition that data is a unique and intangible asset that can be shared and made accessible, not only to the public but also to policy

researchers and experts, is increasing. This will lead to public contributions toward the creation of new tools and the insight necessary to improve government operations.

Local governments, such as those in San Francisco and New York City, have open data legislations that ensure that departmental data is not only available but formatted in a standardized, machine readable, and usable manner. Such policies not only make data transparent to the public; it makes them more usable. Open data policies also lessen the use of paper within government offices by way of digitization and integrated service delivery

²⁰ Criminal justice officials are often applying this new approach using a range of models and statistics-based performance management methods. The new approach combines information relating to past incidents, demographics, time of year, and weather and temperature to determine which city blocks are likely targets for crime incidents. Police patrols are then put in place in the area. Understanding the patterns of crime allows cities to deploy police forces more efficiently and effectively than at random, while taking into account the underlying risks and probabilities of incidence.

²¹ For example, an increasing number of police departments apply an analysis of information on past criminal incidents, time of day, and other key corroborating factors to highlight particular areas where crime is more likely to occur on a particular day or at a particular hour. As a result, patrols need not be randomly assigned; instead, they can be ordered to focus on problem areas with the use of less resources (cars and officers) in a scientific way and be more effective in creating a safer environment.

hubs. A digital government can empower its officials to share more information, provide them with more decision-making tools, and allow them access to information across other agencies. Governments can now leverage their open data efforts to not only make data transparent to their citizens but also share data between agencies.

Successful open data efforts that yield sustainable resources, however, need constant support from all levels of government. Governments often may be confronted with an environment that is not particularly encouraging

in terms of open data efforts, be fraught with enforcement issues concerning the availability and standardization of data, and be challenged in securing the political capital needed to drive these efforts forward. Such a major shift, however positive, often will often be met with resistance. Many governments, often at the subnational level, now promote open data and are addressing concerns from users regarding its complexity and privacy. Worldwide, open data is growing and governments are learning from each other on how to establish successful strategies.

5 KEY CHALLENGES

As described above, governments in LAC have taken significant steps toward improving effectiveness, efficiency, and openness. Through an increasing middle class, governments now have access to expertise in order to motivate innovation and increase the opportunities for further improvement. They do, however, face some significant challenges:

(i) limited data for evidence-based policymaking; (ii) low ICT capacity and broadband penetration; (iii) institutions and systems that are ineffective in terms of accountability and integrity; (iv) low capacity at the strategic center of government (Alessandro, Lafuente, and Santiso, 2014); and (v) variable capacities in the civil service to implement public policies (IDB, 2014).²²

5.1. Key Challenges to Government Effectiveness

5.1.1. Limited Data for Evidence-Based Policymaking

Strategic planning, performance monitoring, and impact evaluation require robust data. Evidence-based policymaking remains hampered by weakness in underlying information management systems, relating to the supply and demand for evaluation. Despite important progress in recent years, dysfunctions in administrative registries and government statistics have hindered the generation of relevant and timely data. In turn, the effective use of this data has been hampered by the weaknesses in results-based management systems. Country

statistical systems have been strengthened in recent decades, improving the production of government statistics, but the use of those statistics in public policy could be enhanced (Segone and Pron, 2008).

In the region, performance monitoring and impact evaluation is still weak or incipient (Lopez-Acevedo, Krause, and Mackay, 2012). Most countries do not have established mechanisms for a robust and continuous monitoring of government priorities, thus inhibiting strategic management and foresight by the center

²² The identification of these challenges align with the findings of recent reports on the modernization of government in OECD countries, such as the Future of Government (WEF, 2012) and Government for the Future (Government of Finland, 2013), which highlight four structural challenges: (i) horizontal steering—especially horizontal coordination, policy coherence, and whole of government approaches (strategic planning); (ii) integrated approaches: integrated policymaking (along the cycle of political steering, performance management, and budget planning); (iii) evidence-based policymaking—through the systematic use of evidence in policymaking and evaluation, both ex-ante (regulatory impact assessments and investment cost-benefit analysis) and ex post (impact evaluation); and (iv) government innovation—promoting technological innovation and building learning capacity. For more information, see World Bank (2012).

of government, as well as policy coordination and arbitrage.²³ Evaluation results and recommendations are also often under-utilized, and compliance is rarely monitored. Sector and agency information systems have proliferated without common standards or sharing between agencies. The problem of information availability and credibility is even more acute within subnational governments.

Building national statistical capacity and monitoring systems are important levers to strengthen public sector management. Results-oriented governments collect, analyze, and publish data in the form of statistics. Statistics help governments and citizens see where the state is going, what society looks like, and how

well governance is exercised (Andrews, 2014). According to the OECD (2012: 28–33), the key elements of evidence-based policymaking are: (i) generating and gathering basic data and government statistics; (ii) transforming data into actionable evidence; (iii) using the evidence in key decision-making processes, including resource allocation; and (iv) disseminating evidence and involving users to sustain the implementation of reforms and policies. The lack of autonomy of national statistics institutes, together with the slow adoption of information technologies, are pending challenges in many LAC governments, and limit their capacity to produce and use statistics for policymaking purposes (Marcel, Guzmán, and Sanginés, 2014).

5.1.2. Low Capacity at the Strategic Center of Government

Another central challenge concerns the failure to plan and coordinate government action by the strategic center of government. Only a few countries have made substantial progress in strengthening the technical capabilities of the center of government, achieving important improvements in the management of the machinery of government, the monitoring of results, and the steering of the public administration (Alessandro, Lafuente and Santiso, 2014). This requires addressing coordination problems and increased fragmentation of policy agendas and public agencies, which results in political accountability challenges (Pollitt and Bouckaert, 2011). Policymaking often remains fragmented into sector silos with pockets of efficiency, especially in the economic and fiscal policy areas. This hampers service delivery. Programs and projects are still conceived in a sectoral manner and are implemented from the national to the local levels in an operationally fragmented top-down approach.

As a result, a critical challenge for governments is to strengthen the strategic, steering, and coordination functions of the center of government and reorient government information systems to become effective management tools. Strategic planning and performance monitoring is no longer a top-down operation. It is moving towards a bottom-up approach to receive and process information from citizens. Integrated and efficient strategic planning for service delivery will require extensive training in new instruments such as citizens' surveys, citizens' access paths, or citizens' maps, reading of citizens' perceptions, and a balance of the subjective component of final results with objective coverage and quality of service indicators.

Weak intersector and intergovernmental coordination undermines decision making and policy implementation and does not allow for whole-of-government approaches. It also inhibits the consolidation of effective

²³ These mechanisms are usually part of performance monitoring units. These units do not seek to replace departmental expertise or to directly address broader long-term reforms. They focus on the continuous tracking of a few fairly simple indicators, and generally do not conduct long-term impact evaluations. Rather, they detect specific bottlenecks and assist departments in making the necessary adjustments. See Alessandro et al., 2013.

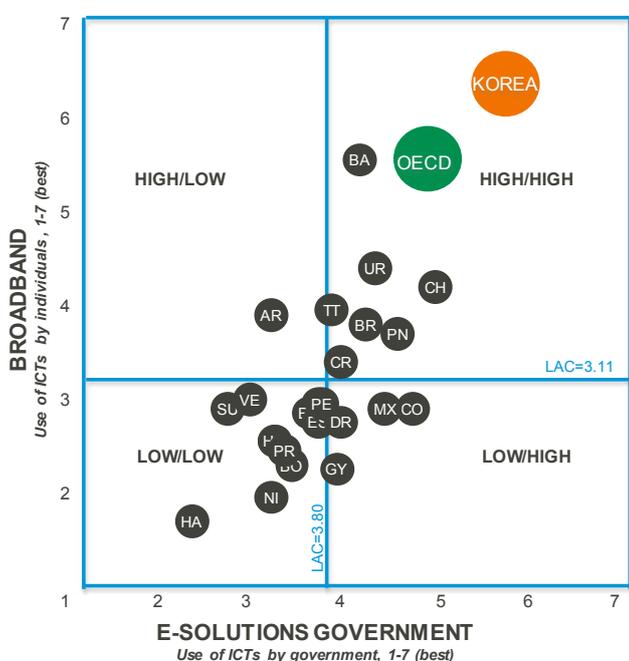
interfaces between the political and administrative spheres. This challenge concerns both the national and subnational levels of government. The absence of collective cabinet responsibility at the central level of government also implies that other mechanisms have to be established to induce coordination. A number of these have been used, such as interministerial committees, or “superministries”, coordinating certain policy areas, but only rarely have they

been able to institutionalize protocols to ensure consistency in policy design and in program implementation. Informal and ad hoc decision making or bilateral relations between the Chief Executive and the ministers have tended to overrun these mechanisms, turning them into formal engagements with limited policymaking authority. These weak coordinating capacities have led to the vertical and sometimes inconsistent responses to citizens.

5.2. Key Challenges to Government Efficiency

5.2.1. Low Technological Capacity and Broadband Penetration

Figure 4: Use of ICT by Government



Source: IDB, E-Solutions team at IFD/ICS, 2013.

An increasingly important challenge to government efficiency is the region’s lack of progress regarding the use of ICT to foster better and more responsive governments. Civil societies and the private sector are innovating

at a much faster pace than governments. According to the UN E-Government Survey of 2011, only 4 countries in LAC are among the top 50 and 11 countries are below the 100th position. Figure 4 also illustrates the limited adoption of ICT by the public sector in LAC. According to the WEF Global Information Technology Report of 2013, most LAC countries have low broadband penetration and low use of ICT in government, far from the OECD level and significantly far from the top country in the ranking, South Korea.²⁴

A more detailed analysis of the challenges regarding the implementation of e-solutions²⁵ in the LAC region brings us to the following findings: (i) when compared to OECD countries, broadband connectivity is low (one third of that of the OECD), expensive (nine times more expensive in purchasing parity terms) and slow (seven times slower) (Galperín, 2012); (ii) numerous countries have not set up an institutional framework to design and manage e-government initiatives (a review of 32 LAC countries reveals that less than 10 have a dedicated institution responsible for e-government (only two countries have done

²⁴ The WEF Report summarizes the challenges relating to the use of e-government solutions, noting that “weakness in the political and regulatory environment, the existence of large segments of the population with a slow skill base, and poor development of the innovation system are all factors hindering the potential that ICT developments could have on the regional economy”.

²⁵ E-Solutions can be defined as the use of innovative information and communications technologies to provide government services in a more efficient and transparent way and increase citizen participation in public matters.

so at the vice-ministerial level and ministerial levels);²⁶ (iii) the rapid changes in the ICT ecosystem have left the legal and regulatory framework of many countries out of date;²⁷ (iv) most governments lack qualified human resources for ICT; (v) most of the expertise in the field is in the private sector, which the

public sector does not draw on adequately; (vi) most citizens do not have their own access to the new technologies; and (vii) cyber security has not received the necessary attention, leaving the critical infrastructure of most countries in the region vulnerable and its trustworthiness questionable in the eyes of most citizens.²⁸

5.2.2. Variable Capacities in the Civil Service to Implement Public Policies

Despite progress, many LAC countries lack a competent and capable civil service to implement public policies. Different studies have found that having a professional civil service leads to higher economic growth and to a reduction of poverty and corruption (Evans and Rauch, 1999; Henderson, et al., 2003; Iyer y Mani, 2008; Dahlstroem, Lapuente, and Teorell, 2011). The experience indicates that strategic human resource management underpins a professional civil service and that attracting, retaining, and developing a capable workforce is key for a high performing public service. How the public sector carries out key personnel management—such as workforce planning; the design of job profiles and classification; selection, recruitment, promotion and dismissal; performance appraisal; pay policy; and professional development and industrial relations—has a very high impact on the degree of professionalization of the civil service

and on the performance of the public sector workforce.

While the region has made considerable progress toward the professionalization of its civil service in the last decade, important challenges still remain (IDB, 2014).²⁹ This progress has come mainly from efforts relating to putting in place key pieces of the legal frameworks, information systems and the creation or strengthening of the central institutions responsible for public employment. The key objectives that have a direct impact on the public sector's capacity to deliver, however, remain to be achieved in most, if not all, countries. Among them, for example: ensuring appropriate protection against politicization; crafting a pay policy that leads to a sustainable wage bill and to an adequate attraction and retention of human capital; consolidating the performance orientation of the civil service; and, creating and/or consolidating senior executive service systems.

5.3. Key Challenges to Government Openness

5.3.1. Ineffectual Accountability Institutions and Integrity Systems

Accountability problems are particularly acute at the local level. Public service delivery and financial resources have been significantly

decentralized in the region, particularly in the 1990s; the upward accountability of agencies to elected officials in several countries was

²⁶ www.redgealc.net.

²⁷ See important aspects, such as digital signature, data protection, electronic documents, cybercrime, open data, e-services, and other critical elements of a safe knowledge-based society, are still unregulated in various countries of the region. For more information, see Goldschluk, Collado, and Linders (2013).

²⁸ For more information, see http://www.oas.org/cyber/documents/OASTrendMicroLAC_ENG.pdf.

²⁹ According to the IDB's Civil Service Development Index, the regional average between 2004 and 2013 moved from 32 to 38 points on a scale of 0 to 100 (IDB, 2014).

weakened; and the “short route of accountability” in service delivery (World Bank, 2004) was not created.³⁰ Subnational governments found themselves writing the checks to service providers, with funds transferred from the center, but with little political, legal, or financial leverage to control the implementing agencies—schools, hospitals, among others. Mechanisms were seldom put in place to facilitate accountability to clients.

There has been limited development in strengthening internal audit and control, thus diminishing the margins for preventing corruption

and for assessing institutional risk that could affect public management objectives. Strengthening internal control may assist governments in the early identification of irregularities that may be stopped, deterred, or even prevented before they constitute corruption. Key challenges include the existence of outdated legal frameworks; lack of long-term strategies, detailed action plans and tools to improve control and audit; limited innovation and incorporation of technology to gather, analyze, and share information online; and lack of indicators and common methodologies to measure government performance.

5.3.2. Uneven Implementation of Access to Information Mechanisms

Shortcomings in the implementation of access to information laws and mechanisms are a critical barrier to open governments. The region has pioneered the adoption of sanctioned access to information and transparency laws, including central public agencies tasked with enforcing the right to information. However, the effective implementation of this legislation remains a challenge for LAC’s public management agenda, especially in terms of achieving greater accountability for public services (Baena and Vieyra, 2011).

There are certain areas in which the countries with access to information laws in place still have potential for improvement in terms of actual implementation, for example, defining and applying concepts such as active transparency; ensuring the optimum operation

of agencies that oversee compliance with regulations on transparency and access to information; imposing penalties in case of rule infringements; drafting general instructions on compliance with transparency and access to information legislation by the organs of state administration (and requiring the latter to adjust their attention to citizens’ procedures and systems to the aforesaid legislation); and resolving complaints whenever access to information is denied. Furthermore, there are some necessary conditions for promoting transparency in public service that impact the effective implementation of access to information laws, two of the most important ones being the strengthening of public archive systems and the enhancing of the capacity of disclosers at the subnational levels of government (Dassen and Vieyra, 2012).

³⁰ The 2004 World Bank’s World Development Report distinguishes the long route and the short route of accountability for public services. On the long route, accountability runs up from the service-providing agency, through the chain of command up to top elected officials, and then back down to voters and citizens. On the short route, which the WDR advocates, service providers have some direct accountability to the citizen clients.

6 THREE STRATEGIC NICHES

Based on the challenges outlined above, this concluding section provides a roadmap forward for IFD/ICS in the area of public sector management. A central driver of this work is to improve effectiveness, efficiency, and openness of governments by strengthening the management of information and, in turn, the potential of technological innovations.

Understanding government modernization and frontiers of institutional reform in LAC are critical to reinforce the use of evidence and to leverage space for innovation to enhance the design and implementation of public policies. The three strategic niches that will guide the work of the Public Sector Management cluster within IFD/ICS during 2015–20 are described in this section.

6.1. Leveraging Government Effectiveness

6.1.1. Strengthening the Evidence Base for Policymaking

Evidence-based policymaking and the delivery of public services requires changing the scope and nature of state-citizen relations in the management of public affairs and the delivery of public services. Key building blocks to promote evidence-based policymaking and

implementation are: (i) government statistics and country statistical systems; (ii) administrative registries (civil and property registries, in particular);³¹ (iii) strategic planning and foresight systems; and (iv) monitoring and evaluation systems.

6.1.2. Enhancing Central Agency functions to Improve Policy Consistency Across Government

Strategic setting and management of government, as well as whole-of-government coordination, depend critically on the availability of accurate, timely, and comparable information, as well as the capacity to manage such information. A critical yet often missing link concerns the relationship between performance

management and resource allocation. Centers of government (e.g., presidencies, prime ministries, finance and planning ministries) have a critical role in promoting whole-of-government approaches, enforcing government coordination, and monitoring government performance. Several core functions of centers of

³¹ Enhanced identity management and modern civil registries are critical to guarantee the right to identity and services and the foundational administrative registry upon which others depend.

government are particularly critical to close the implementation gap and enhance delivery capacity through a more strategic management of government, including: (i) steering, coordination, and strategic planning of government

priorities; (ii) performance monitoring of government priorities; and (iii) quality of service indicators, both at the center of government as well as within government at the sector and subnational levels.

6.2. Improving Efficiency in Policy Implementation

6.2.1. Innovative E-solutions to Enhance Digital Governments

Any progress in the core dimensions of effectiveness, efficiency, and openness will heavily depend on the ability of governments to take advantage of the opportunities that information and communication technologies offer. Expanding e-solutions for government modernization and administrative simplification depend on greater connectivity and greater reliance

on virtual integrated services platforms. Key building blocks include (i) broadband regulatory frameworks and connectivity expansion; (ii) digital solutions to improve public sector decision-making processes; (iii) effective administrative organization (back-office modernization); and (iv) efficient services to citizens (front-office integration).³²

6.2.2. Civil Service Reform to Enhance Human Capabilities

A competent, performing and motivated civil service system is the *sine qua non* foundation for good government (recruitment, retention, promotion, performance, mobility, dismissal). As for public financial management, integrated

human resource management systems that link payroll and headcount can be particularly effective.³³ Central to this agenda are (i) administrative modernization; (ii) civil service management; and (iii) wage bill and pay management.

6.3. Enhancing Accountability and Open Government

6.3.1. Accountability Institutions to Anchor Integrity into Government

Internal and external control and audit agencies help reduce information asymmetries on the use of public resources and the performance of government. Critical reforms include (i) conducting assessments and providing support to modernization strategies; (ii) building the capacity of control and audit entities to report on

risks and highlight opportunities for improvement in the way public resources are being managed; (iii) providing technical assistance to enhance cooperation between control and audits themselves and with civil society organizations; and (iv) developing ICT tools to support audit and control mechanisms.³⁴

³² There is untapped potential to further develop and expand physical and virtual single windows and one-stop-shops, especially at the subnational level, including through new technology-enabled instruments, such as citizens' surveys, citizens' access paths, or citizens' maps, balancing the subjective component of final results with the objective indicators about coverage and quality of service.

³³ A fruitful step for reforming the civil service and government employee systems is to link the payroll and position-management systems, giving government a consolidated picture of its wage bill and employment. This can help not only to avoid unintended double payments or payments to those who no longer work for the government, but also to design more general reforms for efficiency. Making these data linkages usually requires substantial technical support and involvement from the international community of donors to ensure that the new systems are complete, robust to subsequent adjustments, and do not disrupt operations or payments during transition.

³⁴ Including the promotion of independent offices or agencies (such as IFAI in Mexico) that monitor the implementation of such legal frameworks.

6.3.2. Open Government and Targeted Transparency Policies

Reforms aimed at opening the government seek to improve state and citizen relationships and service delivery through a more intensive use of technological innovation, which enables transparency and accountability to be part of a wider monitoring and evaluation system that feeds into performance-based management. Strengthening the design and implementation of targeted transparency policies and mechanisms is at the core of open government. Critical reforms include (i) furthering targeted transparency policies, especially in high-potential—but high-risk—sectors such as the extractive industries;

and (ii) developing mechanisms for a more interactive communication between governments and citizens to enhance their relationship and focus on open data capabilities.

The niches outlined above provide a coherent and strategic agenda for public sector management, upon which IFD/ICS will develop, consolidate, or expand the frontiers of knowledge, balancing lending with analytical work. They correspond to assisting governments of the LAC region to meet the challenges of improved effectiveness, efficiency, and openness of policy implementation.

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APPENDIX 1

SURVEY OF LITERATURE FOR GOVERNANCE MEASURES³⁵

The governance literature uses seven main types of metrics for quality of government: (i) aggregate perception indicators; (ii) targeted expert surveys; (iii) metrics based on judicial or legal records; (iv) metrics based on discrepancies in prices paid in government contracts or in the allocation of funds for social programs; (v) large-scale surveys of citizens; (vi) surveys of public employees; and (vii) metrics based on simulations conducted in the field.

(i) Aggregate Perception Indicators

The most commonly employed measures of government quality are aggregate perception indicators. These indicators collapse information from a wide variety of polls of experts, businessmen, and risk analysts into a one-dimensional scale. Well-known examples of such indicators include the Control of Corruption of the World Bank's Worldwide Governance Indicators, as well as Transparency International's Corruption Perceptions Index. Typically, these types of indicators are produced as follows. First, a broadly defined concept of interest is identified (e.g., government

effectiveness, corruption). Next, a wide body of existing country-level quantitative measures, believed to be reflective of the concept in question, are collected (source indicators). Finally, the country-level scores contained in the source indicators are collapsed into a one-dimensional scale, using a statistical data reduction technique. The indicators produced in this fashion have very broad cross-national coverage (nearly every country in the world is included in the World Bank's indicators) and they are available on a yearly basis (beginning in the mid-1990s). Given their broad coverage, researchers have used them extensively for investigating variations in aspects of cross-national performance, such as economic growth, foreign direct investment, and public health (cf. Gupta, Davoodi, and Tiongson, 2001; Habib and Zurawicki, 2002; Lambsdorff, 2003; Mauro, 1995; 1997).

(ii) Targeted Expert Survey

Another measurement strategy employed in the literature is the targeted expert survey. Expert surveys focus on one clearly defined

³⁵ This Survey of Literature for Governance Measures was prepared by Daniel Gingerich, Assistant Professor, Woodrow Wilson Department of Politics, University of Virginia.

dimension of government quality and elicit expert knowledge on this dimension. Examples of expert surveys that tap into governance issues include the Quality of Government (QoG) Institute's quality of government survey, Columbia University's state capacity survey (discontinued), the IBP Open Budget Survey, and the International Country Risk Guide.

One of the virtues of utilizing targeted expert surveys to measure the quality of government is that they permit one to attain a high degree of conceptual precision in one's measures. The QoG Institute's quality of government survey provides a particularly good example. This survey was motivated largely by the desire to quantify Rothstein's notion of good government as impartiality in the execution of policy. In order to generate a quantitative measure of impartiality, the QoG Institute conducted a web-based survey of 973 country experts in public administration covering 126 different countries. In the survey, the experts rate their country of expertise based upon their perceptions of the degree to which public sector employees implement policies, based on formal policy guidelines or according to the characteristics of the citizen or case. In addition, they provide responses to a variety of hypothetical scenarios (vignettes) about the extent to which policies in their countries benefit the intended recipients. Finally, they rate the frequency with which certain blatant violations of impartiality occur (e.g., bribery in public contracting, outright discrimination against certain groups). Responses to these varied questions are combined into a single score for each country using a factor analysis algorithm.

The attractive feature of this type of measurement strategy is the fact that it taps into a specific and clearly delineated concept of good government. Since the investigators defined clearly ahead of time what they understood good government to mean, they were able to structure the questions in their survey so that each captured a relevant aspect of this concept. This led to a measure with much greater conceptual coherence than that

encountered in the standard aggregate perception indicators.

Of course, one needs to be cognizant of the limitations to expert surveys as well. Foremost among these is an inherent standardization problem. Because expertise is required to evaluate the desired aspect of government quality in a particular polity, the set of experts who rank one country generally do not rank another. This may cause problems if experts happen to carry with them their own unique sets of standards and biases, since in such a scenario, it would be impossible to distinguish the true score for a given country from the impact of having one expert versus another evaluate it. The QoG Institute's clever use of vignettes likely mitigates this risk, but it cannot eliminate it entirely. Other entities have employed different strategies to deal with this problem. In its formulation of the input questions that contribute to its index of budget transparency, the IBP addresses this issue by having experts denote the specific legal statute or other document that their coding decisions depend on. This is an excellent strategy when the issue at hand is a legally enshrined procedure. If the governance indicator seeks to capture informal practices, however—as is often the case—then this type of solution cannot resolve the standardization problem.

(iii) Metrics Based on Judicial or Legal Records

A number of studies in the good governance literature have made use of official statistics based upon judicial or legal records. Such data are typically used to measure corruption and other types of malfeasance by public servants. They may consist of audit records, conviction rates for corruption across subnational units of a polity, or judicial procedures initiated against particular politicians.

The well-known study of Claudio Ferraz and Frederico Finan on municipal-level corruption and mayoral reelection prospects in Brazil provides a good example of this type

of measurement strategy (Ferraz and Finan, 2008). In this work, the authors use information contained in publicly disseminated audit reports produced by Brazil's Controladoria Geral da União (CGU) to create a metric of corruption at the municipal level. They operationalize corruption as "any irregularity associated with fraud in procurements, diversion of public funds, or over-invoicing". Based on this operationalization, the authors measure corruption in each municipality in their sample as being equal to the number of times such irregularities are detected by audit teams employed by the CGU. Measuring corruption in this way, they find that the revelation of corruption through the audit reports prior to municipal elections generally reduces the reelection prospects of mayors, with this effect being especially strong in municipalities with local radio stations.

Ferraz and Finan (2008) illustrate the considerable potential usefulness of statistics based upon judicial or legal records. It is important, however, to keep in mind that the ability of the study to successfully exploit data of this kind ultimately rests with the professionalism and political neutrality of Brazil's CGU. As a general strategy, the potential for bias using indicators based on judicial or legal records is quite high. In polities with highly politicized judiciaries, prosecutors' offices, or auditing bodies, it may be impossible to differentiate between legitimate and politically motivated legal action. To the degree that the quality or format of judicial records is characterized by subnational variation, differences at the regional level may add additional complications. Finally, given that such indicators are based on country-specific legal codes and procedures, making cross-national comparisons is generally not feasible with such measures. In sum, the strategy of using judicial or legal records for measuring corruption (or good government writ large) is potentially fruitful if the official entity generating such information is politically independent and if the analyst is interested in patterns of corruption within a given country. It is important, however, to keep in mind that even

if these conditions are met, judicial records still do not typically measure actual corruption—they measure detected corruption—and actual corruption and detected corruption are often not the same.

(iv) Discrepancy Measures

Discrepancy measures are a new strategy for measuring the efficiency of government spending. Such measures come in two main varieties. The first taps into the efficiency of public procurement by examining the difference between the prices actually paid for a set of uniform goods in government contracts and what the market-prevailing price—given local conditions—should be for those goods. The second strategy taps into waste or corruption in government projects by examining the difference between funds dispersed for a project and the value of what citizens actually receive.

An excellent example of this type of measurement strategy can be found in Benjamin Olken's study of the impact of pre-announced audits and community meetings on corruption in village road building projects in Indonesia (Olken, 2007). Therein, the author uses the difference between expenditures recorded in public contracts for road projects and the actual value of said projects (measured in materials and labor) to produce a metric of corruption at the village-level. In order to produce this metric, he calculates the difference between the composition of materials stipulated in the contract and that encountered when engineers take a core sample of each road. Moreover, he also calculates the difference between wage rates reported in the contracts and the market wages in the villages studied. Finally, the author engages in a calibration exercise to ensure that the metric captures corruption and/or gross inefficiency and not normal waste that occurs when building a road in Indonesia. Based on the use of the resulting discrepancy metric, the study finds that official audits significantly reduce corruption, but that the effect of community meetings is much weaker and contingent.

Ritva Reinikka and Jakob Svensson utilized a similar strategy in an influential study of corruption in education expenditures in Uganda (Reinikka and Svensson, 2005). In this work, the authors operationalized corruption as missing expenditures in school spending. For a given school, the missing expenditure measure was equal to the share of educational grants disbursed by the Ministry of Finance for that school that were not received by it. Using the discrepancy between funds disbursed and funds received as their metric of corruption, the authors found that a newspaper campaign that gave teachers and parents information about the allocation formulae used to disburse funds to schools was highly effective in reducing corruption in educational spending. Their measurement approach, referred to as the public expenditure tracking survey, has recently been applied to a variety of government programs in developing countries, including the Vaso de Leche program in Peru (López-Calix, Seligson, and Alcázar, 2009).

As indicators of good government, the discrepancy measures described above have two important features to recommend them: i) they are objective in the sense that they derive from real spending decisions, not perceptions or opinion; and ii) they can provide a basis for estimates of the cost of wastefulness in government spending. Of course, the information necessary to calculate such measures can be very time consuming to collect. Moreover, collecting such information typically requires the willingness of government officials to share detailed procurement records. Likely for these reasons, the number of academic studies of good government utilizing such metrics is still fairly small.

(v) Large-Scale Surveys of Citizens

Large-scale surveys of citizens have become an effective and established means of examining how the quality of government touches the daily life of individuals in the region. Various organizations produce such surveys, but for students of Latin America, the detailed and sophisticated

surveys produced by the Latin American Public Opinion Project (Vanderbilt University) are probably the most valuable resource. Among other contributions, these surveys have provided insight into the contexts in which citizens experience corruption, and they have elucidated the effects of corruption on outcomes such as belief in the legitimacy of democratic government and anti-government protest.

Every two years, LAPOP performs nationally representative surveys of 26 countries in Latin America (the AmericasBarometer). In terms of governance-related content, respondents are queried about their trust in a variety of government institutions and their perceptions of corruption in government, as well as their degree of support for democracy and the incumbent government. Additionally, respondents are given a set of detailed questions about their individual experiences with corruption over the preceding 12 months. These are questions about direct victimization, not perceptions or attitudes. Indeed, the questions about experience with corruption are disaggregated according to the identity of the public official soliciting the bribe: general public functionaries, police, workers in the public health care system, members of the public education system, members of the judicial branch, and so forth. The findings from the AmericasBarometer have repeatedly shown that most of the corruption victimization citizens in Latin America and the Caribbean experience is due to the actions of the police.

Citizen surveys, such as those performed by LAPOP, obviously have much to contribute to the IDB's larger effort to assess the quality of government across the region. If governments are truly performing well, then one would expect this performance to be reflected in citizens' attitudes towards government institutions and their everyday interactions with public officials. Of course, as with any measurement tool, there are issues citizen surveys are not designed to address. Detecting elite level corruption, especially political corruption, is difficult for this approach. Moreover,

citizen surveys are only useful for assessing the quality of governance within those governmental organs that citizens have frequent contact with. Acts of malfeasance committed by public employees in a national road service or a state-owned oil company, for instance, likely would not be picked by citizen surveys since very few citizens have direct contact with the administration of such agencies.

(vi) Surveys of Public Employees

The use of public employee surveys is one potentially fruitful way of measuring bureaucratic quality and/or corruption across a broad swath of public sector agencies, whether citizens have much interaction with these agencies or not. There are a variety of advantages to studying the quality of government through the use of public employee surveys. Firstly, with sufficient attention paid to confidentiality guarantees, they allow researchers to analyze patterns of malfeasance at the individual level. In particular, they may permit one to address the question of why some public officials engage in acts of corruption while others do not. Secondly, just as is the case for expert or citizen surveys, public employee surveys allow researchers to be conceptually precise in their investigations of good government. Thirdly, public employee surveys make it possible to identify the institutional *loci* of phenomena such as patronage and corruption. That is to say, they can give us a sense of the particular bureaucratic agencies where governance problems are most intense.

Daniel W. Gingerich's study of corruption and political patronage in federal bureaucratic agencies in Latin America illustrates some of these features of public employee surveys (Gingerich, 2013). From June 2003 to November 2005, the study surveyed 2,859 public employees in thirty different federal agencies in three countries in Latin America: Bolivia, Brazil, and Chile. The agencies addressed in the survey included those responsible for financing the activities of the government (tax services, customs agencies); guaranteeing the

stability of the national currency (Central Bank); providing public works and infrastructure (public works ministries and road services); and promoting development projects and agricultural reform (development ministries, social investment funds, land reform institutions), as well as select regulatory agencies. A series of direct questions included in the survey tapped into the degree of politicization of key agency tasks, the stability of bureaucratic career paths, and perceived institutional capacity to control corruption. Moreover, a sensitive question technique called randomized response was used to query respondents about illicit behaviors, including corruption. One of the study's findings was that cross-agency variation in bureaucratic quality was generally greater than cross-national variation, pointing to the danger of studying good government solely from a national-level perspective. In addition, the study found that certain types of illicit behaviors (in particular, party-directed corruption) appear to be driven strongly by the political career concerns of federal bureaucrats, a result which reaffirms the importance of creating procedural mechanisms to shield the civil service from excessive political intromission in its affairs.

Public employee surveys in this mold would have a great deal to contribute to the good government agenda. Of course, they require official cooperation and support from the governments whose officials would be the objects of inquiry. To the degree that this cooperation is forthcoming, it is worth noting that public employee surveys can be typically executed more quickly and at lower cost than standard nationally representative household surveys. One reason this is so is because public employees, at least at the federal level, are centrally located within a relatively small geographic space, making travel and search costs small relative to household surveys. Moreover, it is easy to acquire a proper sampling frame for public employee surveys, as one may simply use the lists of public functionaries held by human resource officers in each agency of interest.

(vii) Simulations in the Field

Another relatively novel strategy for measuring the quality of government consists of setting up experiments in the field. For studies in this vein, government quality is measured by secretly engaging a government body in a task that is related to its mission and then recording the government body's performance on that task.

Robert Putnam's classic study of the sources of institutional performance in Italy, *Making Democracy Work*, made use of precisely such a strategy (Putnam, 1993). In order to assess the quality of government in regional governments across Italy, Putnam and his team sent letters to the health, education, and agricultural departments of each region. The letters requested information about specific activities and/or procedures germane to the department. After a fixed period of time had expired, the timeliness and clarity of responses were coded and incorporated into an index of institutional performance for each region.

A recent study by Alberto Chong, Rafael de la Porta, Florencio Lopez-de-Silanes, and Andrei Shleifer on the sources of efficiency in national postal systems made use of a similar strategy (Chong et al., 2012). In order to measure government efficiency for this study, the research team sent letters to non-existent business addresses in 159 countries (two letters in each country's largest five cities). Each letter contained the same return address and a

request to "return to sender if undeliverable." The authors recorded the percentage of letters returned from each country (if at all), the percentage returned from each country within three months, and, for letters returned within a year, the average number of days it took to get the letters back. On the basis of this information, the authors created a postal efficiency index. They found that the index was correlated highly with measures of human capital and income, as well as the use of technology (postcode databases).

Other examples of simulations in the field have been motivated by the desire to measure corruption and other illegal practices. One recent study in this mold randomly assigned candidates for driver's licenses in New Delhi, India, to a variety of different incentive schemes and then examined the frequency with which these individuals obtained their licenses by illegally using the services of bureaucratic fixers (Bertrand et al., 2007). Another simulation-based study investigated the relationship between social class and corruption victimization in Mexico City, Mexico, by having study confederates intentionally commit (identical) traffic infractions in front of police officers (Fried, Lagunes, and Venkataramani, 2010). After each infraction was committed, the authors recorded whether or not a bribe was solicited by the responding officer. The study found that lower class confederates were more frequently solicited to pay bribes than higher class confederates.



Inter-American Development Bank

2014