Supporting client countries in their efforts to build more efficient and transparent public institutions requires capacity building in areas such as policy making and implementation, regulation, service delivery, and administrative management. It also requires a two-pronged approach—enhanced accountability of the state, both internally among the executive, legislators, and judicial systems and externally to citizens, users of public services, and other stakeholders. Initiatives in each of these areas contribute to good governance, understood as the exercise of public authority for the common good. To succeed, this approach must be based on a solid diagnosis of weaknesses it is trying to address, accompanied by awareness and buy in from political stakeholders, citizens, and the international community.

**How Tools Can Help**

In the World Bank, analytical tools and techniques have proliferated as the work on public sector capacity building and governance has expanded and become more complex. These tools are intended to help users better understand the nature and sources of governance problems and capacity constraints and develop strategies to address them. Use of these tools can contribute to public transparency and fuel a participatory process that mobilizes civil society and generates pressure for reform.

A recent stocktaking exercise by the World Bank Institute (WBI) and the Poverty Reduction and Economic Management (PREM) network yielded a diverse inventory of tools in public sector governance (PSG). Some tools provide guidance on how to design interventions to achieve a desired objective; others are designed to assist the client directly in building capacity needed to strengthen public sector functions; a few others attempt to monitor progress and results. For example, indicators of good governance focus mainly on identifying institutional weaknesses and raising the awareness of key stakeholders. Other diagnostic
tools help assess institutional context, ownership, and commitment from stakeholders, reform readiness, and institutional and political risks.

Few of the existing instruments are widely known and used even within the PREM network. This note proposes a dynamic framework, called the “Public Sector Governance Reform Cycle,” to help Bank staff and clients identify tools that may be useful in their work. For each phase of the cycle, examples are given of tools that are either currently in use or under development.

The Public Sector Governance Reform Cycle

The proposed framework is a self-renewing governance cycle, designed to capture five main stages of reform (see figure 1). Its main purpose is to illustrate the process that helps to assess and enhance capacity to build efficient and accountable institutions, while providing a menu of tools and techniques that can be used along the way. The cycle moves from (a) recognizing strengths and weaknesses in governance and building awareness to (b) assessing the scope for political change to (c) technical diagnostics and the design of reforms. The next step (d) is managing the politics of reforms in terms of engaging clients on policy recommendations and ensuring sustainability. The cycle closes with step (e) evaluating results, which yields information for use in policy adjustments and diagnostics in the next round.

Although each of the tools discussed in this note is primarily affiliated with just one phase of the cycle, most of the tools cover more than one phase or are closely linked with other instruments in other phases. For example, the design of reform goes hand in hand with monitoring and assessing the scope for reform has elements of awareness raising. The following sections discuss various tools for each phase.

Phase 1: How to Identify Strengths and Weaknesses and Raising Awareness

Few data were available less than a decade ago with which to assess governance performance across countries and time. However, based on research within and outside the Bank, significant progress has been made in recent years.

Country policy and institutional assessments (CPIAs). These assessments, which are annually produced by Bank country teams and reconciled regionally and across regions, are used to assess the quality of a country’s present policy and institutional framework in terms of how conducive it is to fostering poverty reduction, sustainable growth, and the effective use of development assistance. CPIAs also serve to identify challenges and current capacities in allo-
cating International Development Association resources in response to country performance. Twenty equally weighted criteria constitute the CPIAs, grouped in four clusters:

- Economic management
- Structural policies
- Social inclusion policies and equity
- Public sector management and institutions.

The last cluster is intended to capture key aspects of good governance, which is vital for sustained growth and poverty reduction. PREM recently started to compile a range of quantitative, objective governance indicators on individual countries as guideposts to assist Bank staff in their assessment and rating of this cluster of five public sector governance–related CPIA questions. The average CPIA ratings for governance and the four clusters are used to place countries into quintiles, and the results are made publicly available.

Cross-country governance indicators. Developed mainly by WBI, a number of perception-based cross-country governance indicators can be used to measure and monitor the quality of governance and institutions. These indicators provide a relative measure of governance across countries based on survey data. Their purpose is to create awareness and debate, both globally and within countries, on country-level performance in six dimensions of governance (see box 1).

Multicountry survey instruments. Although aggregate governance indicators perform a crucial role in monitoring governance in general terms, they provide little information on more specific governance issues at the country level. Multicountry survey instruments, such as the Business Environment and Enterprise Survey (BEEPS) in 1999 and 2002 and Doing Business Indicators, permit the analysis of recent developments in institutional quality, performance, and constraints in the public and private sectors from a firm-level perspective. BEEPS is an interactive tool designed to generate comparative measurements in such areas as corruption, state capture, lobbying, and the quality of the business environment, which can then be linked to specific firm characteristics and firm performance. The “Doing Business” data base provides indicators of the regulatory costs of business and can be used to analyze specific regulations that enhance or constrain investment, productivity, and growth.

Other survey instruments. More in-depth analysis at the country level is made possible by survey instruments that collect feedback from citizens (service delivery users), enterprises, and public officials and that ask detailed questions about types, manifestations, extent, costs, and private return of misgovernance and corruption. An integrated approach called “governance and anticorruption diagnostics” combines these instruments and helps assess the scope for political change and reform (see box 2).

Phase 2: How to Assess the Scope for Political Change and Reform

The challenge of reforming public institutions and the increased focus on institution building in country assistance strategies and Bank lending programs have encouraged development of institutional assessment tools. These enable practitioners to assess the scope for political change and reform, identify processes and constraints, find country-specific starting points, and match them with options for public action. Several

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**Tools in Action**

**Box 1: Raising Awareness with Aggregate Governance Indicators**

Based on empirical research in 200 countries, WBI has developed six governance indicators intended to capture how governments are selected, monitored, and replaced; a government’s capacity to formulate and implement such policies; and citizen and state respect for the institution of governance. By aggregating many variables, this approach allows assessment of each country and comparison with other countries for six dimensions of governance:

- Voice and external accountability
- Political stability and lack of violence
- Government effectiveness
- Lack of regulatory burden
- Rule of law
- Control of corruption

The findings provide insight into why previous attempts at capacity development and institution building have failed. A detailed analysis at the country, regional, or even provincial levels reveals problems and raises awareness that can help reformers and civil society to promote change. The indicators have received international recognition and are used for country comparisons. Five of the governance indicators constructed by WBI are among sixteen concrete indicators used by the Millennium Challenge Account to allocate funds to low-income countries. Special emphasis is given to corruption; countries scoring below the median on this indicator are ineligible for funding from this source.

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1 The Millennium Challenge Account is a new development initiative announced by President Bush’s Administration in March 2002 with the intention of increasing core U.S. development assistance to countries that govern justly, invest in their people, and encourage economic freedom. Please see http://www.mca.gov for more information.
Tools in Action

Box 2: Assessing the Scope for Reform: Sierra Leone Governance and Anticorruption Assessment

The GAC assessment in Sierra Leone responds to a 2002 request from the President of Sierra Leone for action on governance and capacity building. Carried out in collaboration with the U.K. Department for International Development (DFID), GAC promotes an in-depth diagnosis of the quality of governance and provides needed information for the World Bank-assisted Sierra Leone Institutional Reform and Capacity Building Project.

To ensure sustainable collaboration among local stakeholders, DFID and WBI first promoted creation of a steering committee responsible for implementing the GAC assessment and designing a national governance strategy. The steering committee comprises the Sierra Leone Governance Reform Secretariat, representatives from the Sierra Leone Vice President’s office, other parts of government, the Anti-Corruption Committee, civil society, the Central Statistical Agency, the media, and the donor community (i.e., DFID, United Nations Development Program, and European Union).

In a second step, with World Bank technical assistance, a local survey firm designed and implemented three governance diagnostic surveys of public officials, households, and business people, which identified institutional strengths and weaknesses. The results provided the steering committee with information needed for design of the national governance strategy and were compiled in a report released at a October 2003 national workshop by the Vice President of Sierra Leone. The national workshop offered the opportunity to discuss the survey findings and identify key areas for reform. The workshop also facilitated drafting of a governance action plan, which the steering committee is currently revising for discussion at four regional workshops in March 2004.

Governance and anticorruption diagnostics. Surveying the users of public services and disseminating the findings can help to enhance transparency and accountability in government and build momentum for institutional reform. One such approach is governance and anticorruption (GAC) diagnostics developed jointly by WBI and the PREM Sector Unit for Europe and Central Asia. GAC consists of in-depth, country-specific surveys of households, firms, and public officials assessing the extent and causes of corruption. GAC surveys are used to help countries prepare action programs and promote capacity building by institutionalizing participatory approaches (see box 2).

Phase 3: How to Specify Problems and Design Reforms

The Bank’s current emphasis on a “good fit” approach has encouraged development and use of analytical tools for identifying underlying problems tools are available to assess the scope for political change and reform:

Participatory approaches. Based on the premise that reforms must be politically desirable, feasible, and sustainable if they are to succeed, such participatory approaches as reform readiness analysis, stakeholder assessments, beneficiary assessments, and others have been developed in recent years. They provide a structured method to assess client commitment to specific reform initiatives, as well as possible political and institutional obstacles to implementation.

Institutional and governance reviews. Participatory tools and surveys also feed into preparation of institutional and governance reviews (IGRs), which facilitate analysis in a broad range of public sector reform areas. IGRs are highly country and situation specific and require a customized design and good adaptation to local context. Carried out for a number of countries in five regions, IGRs attempt a broad assessment of the quality of accountability, policymaking, or service delivery institutions and help countries to identify actions needed for institutional change.

Tools under Development

Box 3: Programmatic Approach to Public Expenditure Work

Following the World Bank–International Monetary Fund Board paper of 2003 on collaboration in public expenditure issues, the Bank is proposing a new programmatic approach to public expenditure work that is based on supporting a country-owned reform strategy, coordinating donor effort on diagnostic work and technical assistance, and measuring performance periodically for feedback on the reform effort. Emphasizing building capacity and supporting reforms to strengthen performance of budget systems, this approach would combine a number of diagnostic fiduciary and public finance management modules into a standardized assessment to respond to the specific needs of each country.

The standardized assessment would evaluate the performance of the public finance management system, assess the fiduciary systems in terms of strength and weaknesses, and identify gaps in knowledge and local capacity building. The assessment would be complemented by a set of high-level indicators, enabling the Bank and client to monitor the performance of public finance management systems and demonstrate progress with time. At the same time, standardized assessments would provide donors with information on a country’s effort to improve its public finance management system and inform policy dialogue with the country as well as decisions on aid modalities; hence, a standardized assessment would minimize the need for individual donors to undertake separate fiduciary assessments, thereby reducing transaction costs for clients. A public expenditure working group consisting of Bank (PREM, financial management, and procurement staff), the International Monetary Fund, and bilateral donors has prepared a few pilot desk assessments to test the usefulness of this approach in selected countries.

1 For more information, please see http://www1.worldbank.org/publicsector/pe/NewDocumentsDetails.cfm?ID=24.
and unique conditions of each country and for design of feasible reform options for specific local settings.

Assessment of fiduciary risk. In recent years, a demand for assessment of fiduciary risk has been added to the developmental purpose of public expenditure work. The Bank has designated “public expenditure reviews,” “country financial accountability assessments” as core economic and sector work, in part because they provide a critical understanding of client budget systems and their fiduciary aspects. Recent proposals to link these instruments better suggest replacing individual reports with a module-based standardized assessment (see box 3).11

Improving fiscal performance. An important goal of public sector reform is to improve fiscal performance. The Tax Administration Diagnostic Toolkit was developed to uncover the most critical tax administration deficiencies and environmental constraints and identify key reform priorities.12 The Diagnostic Framework for Revenue Administration attempts a more comprehensive analysis of revenue administration to evaluate systemic dysfunctions and illustrate commonly encountered problems and possible solutions13; use of this framework is a prerequisite for developing a successful strategy for revenue administration reform (see box 4).14

HIPC expenditure tracking15 uses objective indicators to evaluate the capacity of heavily indebted poor countries (HIPC) to track poverty-reducing public spending, set priorities, and formulate action plans for additional improvement.

Phase 4: How to Manage the Politics of Reform

Political winners and losers from policy reform can influence reform outcomes; resistance by potential losers can undermine Bank-supported reforms.

Stakeholder analysis, used by different sectors in the Bank, uses interviews, qualitative data, and quantitative analysis of secondary data to assess the level of commitment to reform proposals among individuals, groups, and organizations. Implementation of stakeholder analysis requires substantial country-specific analysis and can be an expensive and time-consuming effort.

A new approach to stakeholder analysis based on game theory was recently piloted in the East Asia region to understand better the preferences and behaviors of key stakeholders on civil service and anticorruption reforms (see box 5).16 A similar exercise is currently underway in Morocco.

Reforms are most successful when implemented in a participatory manner, which can be achieved by building coalitions of key stakeholders (e.g. government, civil society, and nongovernmental organizations...
Tools in Action

Box 6: Monitoring and Evaluating with Scorecards

Originating in the work of an independent NGO in Bangalore, India, the first scorecard survey in 1994 ranked the performance and degree of user satisfaction of urban services such as electricity, health, water, and telephone in the format of a report card (hence the name) and launched a strong advocacy campaign on the basis of the findings. The result was that the worst-rated agency—the Bangalore Development Authority—reviewed its internal systems for service delivery, introduced training for junior staff, and along with the Bangalore Municipal Corporation, began to host a joint forum of NGOs and public agencies to consult on solving high-priority problems such as waste management. The Karnataka Electricity Board also formalized periodic dialogues with resident associations to garner feedback from users, while two other public agencies tried to strengthen their grievance redressal systems.

Since then, scorecard surveys have been applied in different geographic and sectoral contexts by different agencies. At the national level, they have been applied to assess pro-poor services in the Philippines and to specifically assess the quality of governance in Bangladesh, Ukraine, and Vietnam.

The community scorecard, a more local and rural hybrid of the citizen report card, emerged recently through the work of Care-Malawi. Instead of surveys, these scorecards rely on focus group discussions with communities and providers to monitor performance of local public facilities. The two groups can thereby interface locally to establish feedback loops and action plans for reform.

[NGOs]). These coalitions not only help to sustain reform, but can also strengthen political will to improve governance. WBI has been working on a strategy that is intended to identify existing capacity to solve problems and monitor implementation and to increase transparency and access of civil society to services.17

Phase 5: How to Monitor and Evaluate Results

Given the increasing emphasis on results in the Bank’s work, significant efforts have been made to identify tools and governance indicators for measuring and monitoring institutional performance:

Public expenditure tracking surveys and related quantitative service delivery surveys are used to track the flow of resources through the various layers of government bureaucracy and evaluate the incentives responsible for public expenditure leakages.18

Citizen report cards and community scorecards are client feedback surveys that collect both qualitative and quantitative data on the performance of public services from their actual users. These surveys have emerged in recent years as powerful tools for monitoring results, increasing public accountability, and stimulating positive reforms (see box 6).19 They are intended to increase public awareness and generate bottom-up pressure against poor service delivery.

Once such surveys are conducted periodically, service providers are expected to use the findings to adjust their programs.

Capacity enhancement needs assessments (CENA) are participatory approaches designed to evaluate existing capacity gaps and identify capacity enhancement needs. The CENA focuses on the development action to be carried out, or the specific task(s) to be performed, and relies on development actors to carry out their own needs assessment and propose remedial actions. By helping development actors to identify the obstacles to action, the CENA approach ensures that adequate attention is paid to the institutional environment, that is, the set of formal and informal rules, procedures, and arrangements that can either provide incentives for action or create constraints that prevent action or distort the results of action. WBI is piloting these assessments in Nigeria, Tajikistan20, Burkina Faso, Ghana, and Southern Sudan (see box 7).

Emerging Lessons

As the nature of tools and the context in which they have been applied varies considerably, it is difficult to draw robust lessons. But a few general conclusions

Tools under Development

Box 7: Capacity Enhancement Needs Assessment in Nigeria

In Nigeria, the Community Empowerment CENA addressed the question of how the Bank (and other partners) can effectively support a community that wants to strengthen its capacity to participate actively in local, state, and national affairs and influence, and hold government and elected officials accountable? The assessment was conducted in the states of Ekiti and Imo, in the south, and Bauchi and Kano, in the north. It was facilitated by local partner organizations commissioned by the World Bank Institute. The community members who participated in the CENA identified the dysfunctional political and administrative system as a main reason for their inability to act in the pursuit of their development objectives. They noted that they have a large degree of internal group cohesion, which is critical for the type of collective action required for community empowerment, but they lack the capacity to influence other development actors, access the resources that are allocated for community development, and monitor and evaluate the quality of programs that are carried out in their name. As long as the political and administrative system remains alien to local communities, they fear that they will not be able to play a more active role in defining and shaping their future. The assessment also showed that a fair number of community members have highly developed entrepreneurial skills, and most communities have groups of people, especially among women and youth, who show a great degree of enterprise and initiative within their professional domains. The outcome of the assessment is now being used to prepare multiyear capacity enhancement programs that WBI and other training agencies will help deliver.

can be reached in terms of analytical content and process.

The first step in addressing capacity weaknesses is to collect detailed, specific, and reliable information to address the relevant questions. For tools that rely on large sets of microdata (business environment surveys, BEEPS, and GAC), a combination of quantitative and qualitative data has proved useful, allowing description not only of inputs and outputs, but of the functioning of services and processes and related constraints. Highly aggregate data (e.g., CPIA and WBI governance indicators) are useful for cross-country comparisons and awareness raising. The design of sector-specific reform programs requires the use of specific and disaggregated data (e.g., public expenditure tracking surveys and GAC). Reform programs are greatly enhanced by the use of a wide range of different data sources and tools (official statistics, surveys, and external agency ratings) and the triangulation of the results. Quality control, achieved through openness and transparency and the use of rigorous analytical methods, can enhance the credibility of results.

Another lesson is that client buy-in and participation matter. The degree to which tools can affect the policy debate and promote capacity building is closely related to the degree of client demand, openness, participation in the assessment process, and transparency when disseminating results.

Challenges Ahead

The effective use of governance tools throughout the PSG cycle largely depends on the sustained political buy-in they receive. Although political commitment can be leveraged by partnering with other donors and civil society, it is subject to constant change. As the stocktaking exercise reveals, tools to manage the politics of reform are scarce and only a few pilots are under development. Teaming up with partner institutions and academia may help to intensify these efforts.

Another challenge lies in the need to move beyond governance diagnostics to implementing reforms and measuring progress against poverty reduction targets. Complementing diagnostic tools with specific indicators that would allow tracking of progress in line with the targets embodied in poverty reduction strategy papers and the Millennium Development Goals could be a next step.

In addition, the diversity of available tools calls for more consolidation and quality control to make them easily accessible and relevant for operations. Work in this area is underway and will be reflected at http://www-wbweb.worldbank.org/prem/premcompass/know_learn/tools4dev/index.htm.

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Endnotes

1 Here, a tool is defined as a technique or skill intended to help a task manager or client to prepare, design, implement, or monitor operational work. Public sector governance tools in this note are limited to ones that (a) focus on PSG diagnostics, (b) come with a manual or other reports documenting their use, and/or (c) have documented results in one or more countries.
4 The questions cover (#16) property rights and rule-based governance, (#17) the quality of budget and financial management, (#18) the efficiency of revenue mobilization, (#19) the efficiency of public administration, and transparency, and (#20) accountability and control of corruption in the public sector. For CPIA guideposts see http://www-wbweb.worldbank.org/prem/prmps/publicsector/indicators.htm.
10 Please see http://www1.worldbank.org/prem/PREMNotes/premnote75.pdf.
16 This section draws on “Getting Serious about Stakeholder Analysis,” a PowerPoint presentation by Barbara Nunberg, September 2003. For a detailed description and limitations of the East Asia pilots, see the forthcoming PREM Note, “Operationalizing Political Analysis: the Expected Utility Stakeholder Model and Governance Reform.”
17 The strategy is based on “Coalition-Building to Fight Corruption” by Maria Gonzalez de Asis, November 2000.
18 For information on these surveys, please see http://www1.worldbank.org/publicsector/pe/PETS1.pdf.
20 For information on the methodology used in Tajikistan, see http://www.worldbank.org/wbi/communityempowerment

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WBI helps people, institutions, and countries to diagnose problems that keep communities poor, to make informed choices to solve those problems, and to share what they learn with others. Through traditional and distance learning methods, WBI and its partners in many countries deliver knowledge-based options to policymakers, technical experts, business and community leaders, and civil society stakeholders; fostering analytical and networking skills to help them make sound decisions, design effective socioeconomic policies and programs, and unleash the productive potential of their societies.

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