What to do? Indicator and Benchmark

As expounded in the previous section, the will for reform is greatly contingent upon the political structure of the country. A reform initiative, one that spans five or even ten years, would not be able to alter the country’s power relation or to rebuild its social trust and civil society. This poses a dilemma for the development community: a short-term governance initiative without indigenous political will cannot work, but a long-term strategy to build the political support for reform is neither practical (given the rapid cycle of loans and projects) nor justifiable (given the messy politics that inevitably ensues).

Conscious of these issues, this section proposes the use of the Indicators and Benchmarks as a suitable solution. This strategy can solve a political problem while using technical language. It is long-term minded yet can be implemented in quick succession. The crux of the strategy is to measure the governance performances of a country’s domestic units (indicators), compare them against one another (benchmarks), publicize the result, and repeat annually. From the demand side, by focusing on issues with an immediate and visible impact upon people’s welfare, the strategy can cultivate citizens’ interest in reform by demonstrating the potential gains that benefit them directly. From the supply side, by rewarding the high-performing units with recognition, this approach entices officials to join a race to the top. At the foundation of this approach is the acute awareness that relying on public spiritedness alone is not enough—rather, we must provide and demonstrate concrete value of reform to each individual, not just to the entire society, in order to tip his cost-benefit balance into joining our cause for better governance.

Furthermore, this strategy integrates well with the existing practices and ethos of the ADB. Perhaps the most important advantage is that we can highlight positive achievement instead of “corruption,” a sensitive topic that may turn off governments’ cooperation, jeopardizing other initiatives. Second, the ADB is already proficient in creating performance index such as this one, which shares many aspects with the Public Expenditure Tracking Survey (PETS), Doing Business Survey, and Community Score Card. Third, the strategy fits into a growing recognition that macro indices, such as the Corruption Perception Index or the World Governance Index, are too coarse to diagnose any problem beyond saying that there is a problem. For this reason, in its new Governance and Anti-Corruption strategy, the World Bank endorses the use of “actionable governance indicators” (AGIs). Within the ADB, the South Asia Department already moves forward with an index of the same philosophy, comparing trade performance between specific ports, not just countries, in the region.

Specifics

1. Yet another index?

For a measurement to be useful to policy maker, it must satisfy the following criteria (Taken from Johnston 2010)

* Detailed: whole-country index is too coarse to capture the multiple dimensions of any governance issue.
* Objective: assessment must begin with verifiable evidence, and must be expressed in actual units rather than points on arbitrary scales.
* Noninvasive: the act of measurement must not bias what is being measured, and should not disrupt orderly agency functions.
* Policy-neutral
* Low cost: Since repeated assessments are essential, measurement strategies must be inexpensive.
* Valid and reliable
* Transparent and easily understood: Not only analysts and officials, but citizens and civil society groups, must be able to interpret assessments easily and accurately. The best measurements will the interpretable in terms of positive value.
* Trackable over time: Analysts and officials must be able to demonstrate progress, or lack of it, and successful leaders and managers should be able to claim credit for their accomplishments.
* Actionable: Assessments should not only show that a situation is bad or good, improving or deteriorating, but should also point directly to improvements likely to succeed.

As reviewed more extensively in Pande (part of our thematic review), aggregate macro indicators have been censured on many counts, especially for lack of details, validity, and actionability.

The basic strategy

Let’s say that we collect data on the price that hospital A, B, and C pay for the same kind of standard medical equipment. We find that their expenditures are different: hospital A consistently pays 20% more than open market price, hospital B pays about the same, and hospital C manages to pay 10% less. We conduct the same measurement on other dimension of performances. We then widely publish the result, visibly commend high performance units, and repeat the exercise annually. As the results accumulate over years, we can focus more on comparing a unit with its past performance than with its peers.

Good indicators are easy to collect, understand, and compare. In order to arouse the interest of the public, they must be directed connected to people’s daily welfare. Examples include:

* Expenditure on standard goods, such as textbook, school meal, hospital equipment
* Time needed to process routine procedures, such as license application
* Quality of infrastructure, such as road, electricity

Good benchmarks do not judge units against some ideal standards but take root in the local conditions. The best benchmark is a unit’s own past performance in order to eliminate all claims of unfair comparison and potential political tension between units. When the data remain thin, there are many alternatives, including:

* The norm of performance in other units
* Performance in the private sector (applicable to purchase of basic commodity)
* Statistical model: since a city’s infrastructure depends heavily on its initial condition or terrain, multivariate model can take into account these factors and produce an expectation of performance, against which the unit is compared

Why will this work? This strategy directly addresses the collective action problem of corruption. As discussed earlier, people do not concern themselves with “good governance” in and of itself. On the contrary, they are most interested in their immediate likelihood. Therefore, rather than trying in vain to motivate citizens to care about the collective good, this strategy focuses on issues that can be felt privately. Conversely, neither do we idealistically rely on public-spirited officials to take on the fight. We motivate them with public recognition and its associated benefits, such as popularity with voter or professional credentials. Not less importantly, the indicators are actionable—they point towards specific problems that allow officials to focus their effort.

Is there a risk that officials will game the data? While this risk can never be fully eliminated, a powerful safeguard is to cross check the data with the assessment of service users. This has the additional benefit of making sure that we are measuring the relevant indicators. For example, in the PCI Vietnam, the time to acquire a business license reported by the provinces and the businesses is widely different. The officials start counting when all the forms are correctly submitted, after which they are required by law to return the license in 5 days, whereas businesses start counting from their first submission. This case shows that the clarity of instruction and speed of feedback is important for businesses, which we would miss were we to rely on official report alone.

Will the government cooperate? Like any governance initiative, this strategy can only be implemented if there is strong support from top leadership. However, this approach does maximize the chance of cooperation by clothing itself in the technical language of fact-finding instead of politically charged topics such as accountability or citizen empowerment. Furthermore, it does not directly demand the government to change their policies, giving them the respectful space for deliberation and choice. Lastly, if a country depends on attracting FDI or developing the private sector for economic growth, then it is likely to welcome the information that a business survey provides.

Can the ADB implement this?

1. Similarities with other index: With regards to collecting hard data and citizen assessment of public services, this strategy can take advantage of expertise in many similar existing programs.
2. Existing effort within the ADB: The creation of sub-national index from the South Asia department