



CENTER FOR GLOBAL DEVELOPMENT

*Presents*

***Measuring Governance: Possibilities and Pitfalls***

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**Steve Radelet:** Good morning. My name is Steve Radelet. I'm a senior fellow here at the Center for Global Development. I want to wish you all a warm welcome. Thanks for coming on this rainy Friday afternoon. Hope – on this rainy, rainy Friday morning. See, I'm ready to go home. I don't know about the rest of you. It's been great to have you here. I'm going away for the weekend. Sorry about that. Guess I should have gotten some more sleep last night, but it didn't happen. Um, we're glad to have you all here.

I hope the attendance this morning is an indicator of how interested you are in the substance rather than an indicator that you just want to get out of the office on a rainy Friday. But we've got a great agenda for you today to discuss specifically the new governance indicators that the World Bank has come out with, the World Bank Institute has come out with, and more generally some of the promises and pitfalls around the issue of measuring, of measuring governance. We know, um, we know, we think we know – we're never sure what we know and what we don't know, but we know that governance matters but we don't know in what ways, in what forms. We don't know exactly what governance means. We don't exactly know how to measure it and we are not sure once a governance is measured, how we can actually effect change in developing countries.

So there's a lot that we actually don't know. The issues around governance burst onto the scene just 10 or 12 years ago. Before that there was just no discussion about governance or corruption. As a matter of fact, you just didn't say the C word in polite company before the early '90s. We talked about rent seeking and issues like that, not about corruption, but with the work of Douglas North, the Nobel Prize winner, on institutions I think opened the door for more discussions on these topics. As developing countries became more interested in foreign direct investment there was a desire for measurements of the quality of the rule of law in governance on the ground that led to early indicators of governance from the International Country Risk Guide, and then in the mid '90s the World Bank led by Jim Wolfenson began to talk about corruption in a very serious way and that opened the door I think for a lot of the issues that we have and discussions that we have today.

There were frustrations about corruption being a constraint to development that began to grow in the '90s and with that some evidence, some empirical evidence, that institutions and governance mattered, that they mattered for economic growth and some evidence that they mattered for the quality of foreign aid. That work was actually led by a paper that Danny Kaufmann co-authored with Jonathan Isham and Lant Pritchett in the mid '90s that if I recall is called "Governance and Returns on Investment" that looked at the Freedom House indicators actually and with countries with better governance scores how that affected the rates of return on World Bank projects. Later that debate became more famous with the research by David Dollar and Craig Burnside that seemed to show that aid worked better in countries with good governance or good institutions or good policies.

There's an ongoing debate about whether that research holds up or not but it's clearly come into the debates about development, that institutions matter, that governance matter for growth, for aid, for a lot of things that we, that we care about. In the last couple of years a new dimension has been added to this debate around the emerging concerns with fragile states and failed states and terrorism that these issues of low quality governance, of poor quality institutions matter for the security of the west. So for some people that historically didn't care much about institutions and governance in low income countries, they began to care a lot. So a whole new set of people became interested in these debates, and that's led us

to where we are today with first of all, lots of new measures of governance that have come out in the last few years. The World Bank Institute's measures that are now ten years, ten years old. We've got measures from Freedom House, from the International Country Risk Guide, from Transparency International, and now from Global Integrity and several others, and each measures different things and in many ways they're quite complementary and that's one of the things that we want to talk about today.

So we have new measures of governance and we also have those measures being put to use in various ways. Donors are beginning to use those. Actually, I didn't mention one measure which is the World Bank's CPIA, the Country Policy and Institutional Assessment and the World Bank uses that as one measure of how they allocate their IDA, their low income access subsidized loans and grants, to developing countries and of course the Millennium Challenge Corporation now uses the World Bank indicators and the Freedom House indicators as – together those are 7 of the 16 indicators that the MCC uses to assess which countries will be eligible for the MCC. So these indicators now have some teeth in terms of donor uses and that's one aspect. They're also getting the attention of governments in recipient countries and I think that's one of the things that we want to tease out today is how, how these kinds of measures and these debates effect the debates within developing countries, governments, NGO groups, parliaments and public debate within recipient countries as well.

The trends in global governance are rather sobering. According to the data from the World Bank, the trends in overall global governance show not much change actually in ten years and that's sobering because I think a lot of people, me included, would have thought that with the major shift towards democracies in the last 15 years in Latin America, in Africa, in Asia that with that we might have seen clear improvements in governance, but globally that doesn't seem to be the case. What does seem to be the case is that in some countries we're getting strong improvements in governance but there's also almost as many where we're getting, where we're getting deterioration in governance scores. So overall the trends are not quite as positive as I think a lot of people would like to see and that's one of the things that we want to tease out today. So this is all a tricky business with bigger implications.

What we'd like to do today is, is use the expertise of four very prominent people in these debates. We're going to start with a presentation by Danny Kaufmann and Aart Kraay from the World Bank Institute on the newest version of their numbers which have come out, their governance indicators for 2005. We will then go into a roundtable discussion that I will moderate with the two of them along with Ngozi Okonjo-Iweala, the former Finance Minister of Nigeria, and Marianne Camerer from Global Integrity. It's a great panel. You've got their bios with you. So I'll just briefly introduce each of them.

Danny really needs no introduction at all. He's a leading scholar, one of the most preeminent scholars on governance indicators and he's pioneered many of the types of indicators that we're working on and looking at today. He's now the Director of Global Programs at the World Bank Institute and heads the groups on global governance and knowledge and development. Aart Kraay is Danny's partner in crime or one of his partners in crime along with Massimo Mastruzzi who's also here. Massimo's in the second row and he's got the easy job. He can just watch while the other guys work today, but the three of them put these together.

Aart will also be speaking. He's the lead economist in the Development and Research Group at the World Bank where he's been since 1995. We're delighted to have with us Ngozi

Okonjo-Iweala who until a few months ago was Minister of Finance and then briefly Minister of Foreign Affairs in Nigeria. She's one of the most preeminent Africans in policy debates. She led the fight against corruption in Nigeria, so she's got absolute front line, topnotch experience in working on governance and corruption issues in one of the most important developing countries in the world, and so we're delighted that she will be here to help comment on these issues.

Marianne Camerer is the co-founder and International Director of Global Integrity which is a Washington, D.C.-based organization that now puts out the Public Integrity Index and so she's here to tell us about that index and how it complements the other indices that are out there. So we'll have a little roundtable discussion and then we've got plenty of time to open it up to you for questions and answers. So, let's start by turning to Danny and Aart with a presentation of their newest data on the global governance indicators. Danny and Aart –

**Aart Kraay:** Thank you, Steve, for those kind words of introduction. It's a real pleasure to be here as we were last year as well hosted by the Center for Global Development to discuss our, this ongoing work on governance indicators. I think that Danny and I are going to try to be uncharacteristically brief between the two of us and try to get through. Just a brief outline of, um, that updates us on the latest round of the governance indicators that we've, that we're released. We released them in September governing now almost a decade. It'd be between 1996 and 2005.

To just flag a few ongoing uses or types of uses of the governance indicators and then Danny is going to talk through a set of lessons that we think are important that go beyond our indicators per se but lessons that we think are important for users of governance indicators and in particular emphasizing some things that have come out of our own work but that we think are more generally applicable, notably the importance of measurement or the importance of matching appropriate indicators to their appropriate purposes. The importance also of avoiding sort of false distinctions between different types of data.

We think that lots of different types of governance data are available and are complementary and we'd like to see them used in that way. then finally a recognition of something that should be no surprise to anybody in the room and that Steve has already alluded to which is a recognition of the fact that the links from inputs to outputs in the production function of good governance and development are very, very complex and some humility and some recognition of that is very important even at the beginning when we simply begin thinking about how to measure governance. It's useful when talking about something as, ah, um, sometimes opaque as governance to have a definition in front of us.

Of course we've struggled for years with the fact that there's no working consensus in terms of a definition of governance that we can rely on that everybody agrees on. So here's our best shot which we've been going with for almost the last ten years now and we're certainly still welcoming and looking for suggestions to improve or sharpen this definition which is quite broad, but we think about governance very broadly as the institutions and traditions by which authority in a country is exercised, and you can think about breaking that down somewhat more specifically into three areas – the process by which governments are elected, selected, and replaced; the capacity of governments to effectively monitor and formulate policies and implement them and then finally and perhaps most importantly, the respective citizens and the states where the rules that govern interactions between them.

This of course is a very broad definition and we sort of operationalize that into the six indicators of governance which we think flow fairly naturally out of these definitions. In the first subcomponent of governance we have two measures, voice and accountability and political stability, absence of violence, absence of politically motivated violence including terrorism. In terms of the competence and the effectiveness of the states we have two aggregate indicators, one of government effectiveness which is trying to measure a little bit more of the sort of processes the governments follow and regulatory quality which is a bit more of an outcome-oriented indicator looking at the degree to which the regulatory environment is onerous, and then of course, we have under the respective citizens and state for the interactions between them.

We isolate rule of law which to economists is something very familiar as property rights protection and then of course control of corruption where here at least we can all agree on a definition that corruption is the use of public office for private gain. As many of you who have seen these indicators know, we have been doing this for quite a while. What we're doing here essentially is aggregating a large number of individual data sources on different dimensions of governance to come up with these composite measures. The current round of governance indicators were relying on 31 different data sources. The set of data sources fluctuates a little bit over time as we find new data sources and unfortunately in some cases the data sources are no longer available. They come from 25 different organizations around the world and we would really like to stress the fact that they reflect the views of a very large diversity of stakeholders which you'll see shortly when I run you through what a few of these data sources are, and these indicators are getting increasingly used in both research and policy-making circles.

A few brief things for those of you who are familiar with the governance indicators is worthwhile mentioning kind of what's new this time around and there are a few, a few things that are new. The one is that we've this year moved to reporting data on an annual frequency so we've gone backwards and filled in data for 2003. We now have annual data 2002 through 2005 and we anticipate continuing to update the data on an annual basis opposed to every other year which we've done in the past. The other perhaps more substantially interesting thing that we've gotten a lot of positive feedback on is that this year for the first time we posted on the web site as well as the aggregate indicators for all countries all of the or virtually all of the underlying data, all of the underlying data that we're able to disclose on the web site.

So something like 20 – all but 3 of our data sources are – the individual data sources are publicly available on the web in the format that we use them in the aggregate indicators and this is of course very helpful for people who want to dig deeper and unbundle a bit our indicators, see what's going on in terms of what's driving improvements and declines in individual countries, and it's also helpful for people who are interested in the methodology, understanding better how this whole, a little bit of a black box I have to admit, although we'll be happy to explain all the details in any length that you like how this whole procedure works. Just to review what some of our governance underlying data sources are, we've organized them here a little bit to stress the diversity of the type as well as the geographic location of the respondents that are providing information.

We have a number of cross-country surveys both of firms and of individuals. Those are the first two categories here, some of which you're familiar with because they're prominent sources in their own right and are widely used. We particularly value these sources because

in a sense they are giving us information straight from the horse's mouth, understanding what firms and individuals think about the governance situation in the country they're facing. Their experience dealing with bureaucrats and so on is one of the most direct and powerful ways of both gathering information and also, frankly, getting the attention of policy makers. It carries in some cases much more weight than for example some of these other data sources that we have that come from expert assessments, from commercial risk rating agencies, the economist intelligence unit, world markets on line, a variety of these you're also familiar with

I'm sure, as well as expert assessments that come from non-commercial data sources including Reporters Without Borders, Heritage Foundation, Freedom House, a whole long list of them, and then finally we do also rely on expert assessments that come from multilateral organizations, most notably the CPIA ratings that are coming from the World Bank, the African Development Bank, the Asian Development Bank. These regrettably are the only data sources where we're not able to fully disclose the underlying data because the historical data of these three sets of CPI ratings have not, the boards of the respective institutions have not yet agreed to share them publicly. It's something that I hope they decide to change their mind about in the future because we think it's a particularly useful data source.

Just again to give you an idea of what sort of information we're getting out of these data sources it's useful to look at a couple of the specific questions that we then end up mapping to our aggregate governance indicators. Some are sort of quite obvious. So we could survey responses what fraction of the value of a contract is a firm expected to pay in bribes in order to secure a public procurement contracts. The example is survey-based question is very clearly asking something about corruption. Expert assessments also provide their own subjective assessments of what the risk of say foreign investors run of encountering corruption. We have questions that capture perceptions of freedom of the press, freedom of expression, freedom of association that would go to voice and accountability.

Survey responses on access and quality of government services is something that we would use in government effectiveness and so on. So this is obviously just a very short list. We have some 300 or so of these individual questions that we map to our six indicators and then the next step is to come up with estimates of the aggregate governance indicators. I won't spend time because we don't have a lot now to talk about the methodology, but just very briefly to say something about why bother. I think there's three real reasons why to bother constructing aggregate indicators. The one is to try to efficiently summarize the information these 300 or more and there's many more I'm sure that we've overlooked and we're continually looking for new data sources. There's a lot of information out there. Summarizing it efficiently can be very useful.

The second reason that we care is that these aggregate indicators can cover a lot more countries than any individual indicator can because they're combining information from different sources. And finally the reason that we think it's useful and it's one of the ones we're going to stress very much is that the aggregate indicators can both be more informative about the aggregate notions of governance that we're measuring and moreover we're able to summarize or quantify the imprecision with which they're able to measure governance. So you can see that this graph here shows the selective countries that 2005 aggregate ratings for control of corruption and so higher values indicate better outcomes and control of corruption so less corruption.

So we have some countries that are kind of the usual suspects over the, on your right, the Nordic countries, the United States, these are countries where the various data sources all suggest that corruption is not a very big problem and you have some of the usual suspects on the left as well and particularly a number of very poor and very unfortunately governed countries where corruption is very widespread. So the heights of the bars indicate the values of the, of the governance indicator. I do want to draw your attention to the vertical black lines that you see at the top of each bar. These are these all-important margins of error that we're continually stressing. The interpretation of these is that we're not certain exactly what is the level of governance in each one of these countries that we're looking at or in this case corruption but we can be quite certain in a statistical sense that it's highly likely that the value of corruption, the true value of the corruption index is going to somewhere in the range of those black bars.

Now this of course has consequences when we start making comparisons across countries. If you were to ask me, you know, will your governance indicators tell us definitively whether Finland is a less corrupt place than Iceland which corresponds to the last two bars on the right there, of course we would have to say, well, you know, we cannot make any kind of a judgment about such small differences given the large margins of error which in this case would overlap. You could equally ask me do we really think that Somalia is a bit less corrupt than Equatorial Guinea. I'd say well, we really don't have a lot of information about that.

But on the other hand, you can see lots of cases where these 90 percent confidence intervals indicating the uncertainty about the governance indicators do not overlap and in those cases we really can start to say things. I mean, we for example can point to significant differences between the United States and Chile on the one hand and going from Chile to Italy on the other hand and say from Italy to China, China to Haiti and so on. So we can certainly, while we stress – what I should say is while we stress the imprecision and the fact that these margins of error should be taken into account, we don't want to leave you with the impression that these governance indicators are silent about differences across corruption, across countries in any one of the dimensions of governance. In fact, if you take the corruption indicator as an example, there's some 200 countries that it covers.

That means that in principle if you had the time and the patience you could make comparisons between 20,000 different pairs of countries and of those 20,000 pair-wise comparisons that you could make something like three quarters of them would result in a conclusion that yes, there are significant differences between these countries. So we do want to stress that while the margins of error are important, the governance indicators are nevertheless quite informative and moreover as Dan will discuss in more detail later, margins of, explicit margins of error are a fairly unique feature of our governance indicators but they're certainly present although rarely made explicit in any effort to measure governance.

So, you know, you can draw world maps, you can make various other pictures with the data that are useful for looking at patterns, looking where countries fall relative to each other. This is a graph that we found particularly interesting this time around. Just looking at the simple correlation. We're not making any claims about causation here between voice and accountability on the horizontal axis and control of corruption on the vertical axis. Of course there's a – it's not very surprising that there's a strong relationship between the two but it's also quite interesting to look at some of the countries that are outliers in this relationship, clearly countries like Singapore for example to do quite well on control of corruption but only middling in measures of democratic accountability.

Let me say also a little bit about changes over time and governance. I'm going a bit quickly through this. You have all the slides in your handouts. So please feel free to look at them a little bit more at your leisure later. In this graph what we're showing is the change over the longest, you know, the ten-year period that's covered by our indicators between 1996 and 2005 and what we've done here is we've highlighted a few countries where there are major improvements, a few countries where there's major declines in the voice and accountability measure. Now the way that we identify major improvements or declines is again with reference to the margins of error that we've been talking about.

So these are countries where we can be quite certain in a statistical sense that the data supports a conclusion that there's been a significant trend in this concept of governance that we're trying to monitor, and so you have countries including, you know, countries in parts of the world that you don't normally, don't always associate with happy stories about governance. We have Liberia, Senegal, Ghana, for example are countries that are showing big improvements. Mexico is also showing big improvements. On the other hand, we have a number of countries where things are significantly deteriorating from Venezuela, Russia, Belarus, Cote d'Ivoire and so on. So we can use the indicators to also say things about changes over time, but again with the same qualifications that we should be careful to note that a lot of the small changes we might see from one year to the next on a particular indicator for a country might not signal a significant difference and in fact this graph I have to admit is slightly misleading because it gives the sense that there's sort of three equally large groups of countries.

In fact, a lot of countries fall in the middle category where there aren't significant changes, but again, at the same time, while we stress that it is important for people to take seriously the margins of error when making comparisons over time, again I want to make the point that it's not the case that the governance indicators are entirely uninformative. In fact it's somewhat – a thing that was completely surprising to me – in fact, we did the calculations four times because I didn't believe them, but when you look over this period 1996 to 2005 and you ask how many countries experienced a significant change in at least one dimension of governance, you find something like one third of countries experienced a significant change in this ten-year period in at least one of the six dimensions of governance.

So these governance indicators do point to significant changes in cases where we think it's actually occurring. Okay, let me just flag one, and this is not at all going to be a very detailed thing but just to flag the kind of broad uses that people are making to governance indicators. One of course is for cross-country research. We think this is very valuable and there's been a very large body of cross-country research that's been very influential in drawing attention to the fact to put it most simply that sort of correlation that we see between levels of development. We have per capita income on the vertical axis here and a measure here we have the rule of law index which captures property rights protection on the horizontal axis.

A lot of research has been very influential in showing that this simple correlation that we see actually for the most part reflects a strong causal effect running from better governance to stronger development outcomes and it's this recognition by scholars and perhaps belatedly because I think it's something that's been clear to policy makers a lot longer that governance is so important for development has really been important in driving the governance agenda in the multilateral organizations and elsewhere of course. A second use that Steve's also alluded to with the governance indicators is for aid allocation. Different organizations use different types of data. As Steve mentioned the World Bank has a CPIA assessments that it

uses to allocate \*\*\* resources across countries which by the way it's been doing for a long time. This is something people don't know very well but it's been doing it for at least the last 10 or 15 years.

So it's not – it's complete news to multilateral organizations that governance and policy environment matters. This is an illustration of how the Millennium Challenge account uses, um, our governance indicators together with a large number of other indicators. One of their eligibility criteria is that countries have to score above the median on the control of corruption indicator in the relevant comparative group of countries. Here we're looking at a sample of 69 low income countries and again while it's important to notice there are margins of error it's also important to notice that, you know, a substantial number of countries we can confidently slot in the group of poor performers below the median and there's another group that we can pretty confidently slot in the group of good performers that are above the median.

But of course, and this is something that again is not very profound but it's something that is important to keep in mind. There's always a messy middle ground. There's always going to be some group of countries – they're shaded in yellow here – that are near the median where it's going to be difficult to really definitively slot them as above or below the cutoff. A third kind of application and I think this is an example more broadly of policy advocacy which is also a popular and widespread use of these governance indicators but recognizing, for example, that, you know, notions of say Afro pessimism which are too often sort of popular are not always entirely well-placed, and one of the things we think is very striking both from the world maps that I blew through quickly as well as looking at changes over time in governance that, you know, the continent of Africa which people often associate with sort of uniformist governance is actually a place that shows a huge amount of heterogeneity in performance ranging on the one hand countries like Botswana who scored better than, you know, countries like Hungary or South Korea basically approaching developed country standards in governance, but then at the same time having some of the worst performers in Africa as well and in terms of improvements noticing also that there are – and I've mentioned some of these countries in the graph that we saw before – there are countries that have seen significant improvements in the last, since the mid to late 1990s to the present in various dimensions of governance that are listed here, while at the same time recognizing that there are countries that have seen significant declines.

But to sort of paint a broad \*\*\*\* picture of the whole continent is, is a, as a desperate place in terms of governance is something that's of course inappropriate and this kind of data can help to refute challenge, to refute misperceptions of those sorts. Well, I'll turn it over to Danny to continue a bit more general now discussing some of the principles of the use of the governance indicators.

**Danny Kaufmann:** It can be a dangerous combination to have these \*\*\*\*, the eloquence of my colleague Aart Kraay and PowerPoint in giving a full sense that we are just so confident on the perfection of what we, we present and this governance indicators work but nothing could be further from the truth. We are very mindful of many of the pitfalls and challenges and that's why I'd like to spend a few minutes providing a framework for perspective in this context, in terms of the pitfalls because while there are many significant issues regarding our indicators which we put it very clearly in every publication and in the web, there's also quite a bit of misconceptions nowadays about that. So as an organizing framework was already quickly alluded and I'll move very fast. I hope everybody has the handout. Those of you who do not, there may be still some copies outside. We still have some copies here.

But basically to put the framework four very basic principles in terms of addressing both the pitfalls and the uses of governance indicators, not just ours but more generally \*\*\*\*. First, universality. Basically all indicators have measurement errors. We're particularly explicit about it and every indicator of measurement error is important to rely on a variety of data sources and their benefits of aggregation the way we already discussed. We can go more in depth later. The second point of complementarity. There's too much of a sense sometimes of false competition among different type of indicators when in fact there's much more complementarity than meets the eye, but between subjective and objective indicators or perception and statutory and between aggregate and individual indicators.

So we would stress the importance of focusing more on complementarities. Third is the famous economist Dean Berger \*\*\*\* many, many decades ago that one has too much the number of instruments to the number of objectives and basically this applies here too. Different instruments, different type of indicators are appropriate for different purposes and we'll go into some detail on that in a few minutes and then the last point was mentioned already. In this area in particular the multidimensionality complexity of governance and we do not have many of the answers. There's no one policy template that applies and that has indications also as to what type of indicators are appropriate to use in what type of framework and about what type of complementarities.

If we move in a, to a, to the first point, if all indicators have measurement error, I want to do full justice just not to take too much of the time but there'll be more details later. We depart from that premise that governance is difficult or basically impossible to the true level of governance to be observed directly. So the available measures are proxies. That applies across the board so they're perception measures and their objective and statutory measures. They all have margins of error. We know very well the margin of error issue about perception and subjective. What's less known is the extent of the margins of error about objective, so-called objective or harder data which we will specify in a little while.

Not to repeat it now, but as already Aart said it's very important to be very explicit about these margins of errors. Unfortunately very few sources are explicit. We are explicit about it. The Transparency International indicate also they put a margin of error. We have done with some indirect methods an estimate of margins or errors for objective indicators and for individual indicators and there are at least in the orders of magnitude if not many of them larger than in our aggregate indicators. So let's keep in mind that they all have these type of challenge. \*\*\*\* the second point which was about complementarity. It has a number of dimensions but I'll focus on two that are complimentary.

The one is the subjective versus objective measures which would strive towards further complementarity. Perception data is particularly useful and even when objective measures exist but in some cases they don't really exist, like direct measure of corruption in an objective sense are very difficult to come by, particularly for cross national and overtime comparisons. But then there are many that do exist, but still we sometimes lose sight to the extent that perceptions and measuring perceptions matter, and they matter directly. To know what an investor and what firms are basically reporting and saying matters enormously for their own decision-making about investments and other decisions. What citizens are saying about the relevance of the court and in matters of whether they use official courts or they resort to other mechanisms, so one also two. Take that into account.

Perceptions also add significant insight when one asks the citizens what's happening on the ground or firms what happened on the ground. As to what the jury is happening on, on the ground and that's a good comparison and, and check under the jury measures because objective measures of the jury when, where, where codified number of regulations, legal aspects and so on in a more official or harder data sense. If we look, for instance, and this is extremely tell us. One exercise as a link between one set of the jury measures versus the factor measures or perception versus objective, the number of days to start a business according to the Doing Business Report, which is an objective measure codified by lawyers which stipulate according to particular templates and forms how many days it should take for a firm to start operating. That's in the horizontal axis versus the report from firms themselves, their own reports.

You can call that perception subjective, but that's, that's what they report. The correlation is not bad. Could be higher but it's 0.5. But this is just a sample among the richer industrialized world where the extent of informality is much less than in the developed world. If we go to the sample of the developed countries world the correlation almost disappears basically and we find that a much better explainer of actually how easy or not is to start a business of other governance dimensions like corruption. It explains much more of the variance than one formal or objective indicator. So let's keep in mind that where informality rules or it's very significant, it's absolutely crucial to go to the ground and also measure the jury information and the factory information and not to stay only with the jury. So again, it's the issue of complementarity. The objective indicators can indeed be very specific but the interpretation can be somewhat unbelievable, something imprecise.

Does an anti-corruption commission exist? Well, there can be a very precise answer but what's the interpretation of that is something we'll discuss further. By contrast, perception data need not be very vague or imprecise. In the old days there was a perception about perception later that all these questions that go into these indicators are the very vague opinion poll type like do you think corruption is a problem, yes or no? That's not the case. Basically the field has moved away from those type of questions and the type of questions instead that are being asked today, which are still labeled as perceptual subjective, is asking a firm what percentage of the total \*\*\*\* value do firms like yours typically have to pay in private to secure procurement contracts. It would have a margin of error, the responses of many firms.

But basically it does an enormous amount of invaluable information on the ground and it's moving much more towards a quantitative type of measure. So it's a little bit of a false dichotomy between subjective and objective measure which is not very helpful and that's why we want to stress the complementarity. The other dimension of the alternative indicator being complementary is the aggregate and individual indicators. While I'm always pitting one against the other, we'd like to stress it's very important to view it as complementary. Aggregating indicators have advantages like having very broad coverage, not only the ones we're presenting like the ones like Transparency International does it on corruption in particular. Also these aggregate indicators are more informative about broad concepts of governance and as we said have explicit margins of error.

But individual indicators are easier and simply to integrate in a straightforward matter and may be, but may be potentially easier to identify policy interventions if they're well done. But ideally one would like to do, to have both. Basically aggregate indicators that can be unbundled. Our are multi-source, come from many, many different sources and they are

aggregated as such but now we have also all individual indicators but also some single source, like the World Bank CPA, the Global Integrity Index, which is very good. Marianne will discuss it more later and there are other examples. If we take quickly in our indicators and for full disclosure. I'm biased because I'm chairman myself so I'm very proud to over \*\*\*\* in Chile and how well it does. The banking the notion that if you're the developing country you don't do well in government. It has better standards of governance than some countries in Southern Europe nowadays and it shows also over time because improved and these are the aggregate indicators. There's six. I will not go through every one but it's all of that, very much in the green zone and some of them in the, in the top 10, 10 percentile of the world. But now, thanks to, and Aart already mentioned one can trickle down and it's all in the web.

This is in fact a \*\*\*\* based on the web and can trickle down to the individual sources so one can on the left basically what we see that that table is a mapping of the, of the previous graph, the six indicators but it shows all the information associated with that, but then one can basically hit on the list side and go to all the individual sources on voice and accountability. This is all in the particular booklet, the red booklet, if you caught it outside. It's also explained and you see the individual indicators for voice and accountability of one example. Then one can trickle down and ask about the media, the media freedom indicator, where it comes from and the Reporters Without Borders shows up at the bottom, so basically one can do that.

The same can be done, and Marianne may say more about the global integrity index and drilling down from the overall index to very specific drilling down to the judiciary in different areas of, of governance, so now they, there ought not be such a divide between aggregate and individual type of indicators. Let's move to the third and before last point in terms of providing this perspective more broadly in terms of pitfalls. They hold \*\*\*\*, different indicators for different purposes. So you want to essentially hone on particular institutions in a country and understand governance or particular dimension of governance in that institutions. They are of very particular in-depth and \*\*\*\* diagnostic instrument to be one at a time for that institution like the public expenditure tracking or the pet type of diagnostic that the World Bank started but many others are doing now or the \*\*\*\* for Public Expenditure financial assessments and so on. There are other such instrument.

If one wants to look and \*\*\*\* projects in a country, there are great innovations nowadays that that project or even sector in-country research level for one sector or in many cases for one project at a time. It's hard to do it multi-country, obviously. It's a very interesting paper on \*\*\*\* or discount how many bribes may have been given in the U.N. all for food scandal and another one on infrastructure spending in Italy by Golden and Peachy, and Ben Orkin very interesting pioneering work in recording expenditures in road project in, in Indonesia and compared it with what was written in the book, so how much she would supposedly spend and what the road materials showed at the end that was actually really done. But those are very, very specialized specific for, for a project. For worldwide benchmarking and overtime monitoring and cross country research the aggregate governance indicators then become the instrument of choice.

The others, however, \*\*\*\* cannot do, do that, but then is it complimentary if it comes back again and that's the last point in here about when one wants to do an in-depth countrywide governance assessment and some work has been done in Nigeria which was led by Ngozi so I won't discuss that but recently we are doing with some of that work with Kenya and now

where basically it's so clear that it's crucial to have the complementarity between the aggregate \*\*\*\* indicators and between subjective and objective. Just to give a very, very quick example, we take the aggregate indicators. This is another way of presenting the aggregate indicators across countries, in this case just for control of corruption for, for illustration we see – whatever is better or higher means better control of corruption so it's better governance and we see how well South Africa and Botswana do rate compared to the world, percentile rank across the world somewhere in the 80<sup>th</sup> percentile or above like Botswana.

Where Kenya starts with an enormous challenge during the moral regime. The regime changes by 2003 already one sees a significant pickup continuous abatement to 2004 and then one starts seeing a flattening and a reversal. But it's very important not to stay at the aggregate level and that's why the complementarity in the governance starts. So we drill down and we use many other data sources that are input into aggregate indicators. One of them is from the World Economic Forum. \*\*\*\* Enterprises tried to figure out what's happening with this, this trend on corruption, and we see that in different dimensions of \*\*\*\*. There are different trends. Overall basically a picture of stagnation after the first batch of reforms but in some areas like judiciary and procurement bribery has gone up.

By the way, here this is bribery so it's a public graph, so higher means worsening in terms of corruption in this particular graph. Extent to which the firms are reporting on bribery is what this is, so you see the last two sets on the, on the right-hand side of the slide for procurement and judiciary are significant deterioration after the improvement just one year after the regime change but then it goes back up. So one can, it's basically to illustrate very simplistically that they need to, to use these different instrument for different purposes. And the last point in terms of providing the perspective is the absolutely crucial point that there's no one Bible, there's no one template basically linking policies to excellent governance performance and, and this has a number of dimensions.

In some measures which are easy to come by and objective, well, it would be easy to qualify but they may not matter the most. For instance, if existence were an anti-corruption commission we have not seen that enormously linked to major improvements on anti-corruption across the world. There are some exceptions like in the case of Hong Kong obviously and Nigeria. Of course, they may talk more of how they're doing enormous efforts in that context too. The extent of turnover of civil servants – is that a sign of very good or not a governance? The proportional population incarcerated in the society. Russia and the U.S. are the top in the world on that. Does that mean good governance or not? So the normal good governance interpretation of many objective indicators is a major, a challenge.

There's also the risk of confusing \*\*\*\* from reality and \*\*\*\* from illusion. We tend to count how many laws have been passed on anti-corruption and so on, and that's really, really matter. Different countries have different priorities, different challenges and basically the whole link between a particular policy and its impact may change from one country to, to the, to the other. It's very important and that's the last point here in, in this context to try to measure both some input indicators, and we prefer to call them action worthy indicators. There's a lot of talk about actionable indicators but there are some actionable indicators like passing another law which are not necessarily action worthy or the most relevant so that's why action worthy in terms of relevance indicators is very important but at the same time not to lose sight how crucial it is to measure outcome, or output indicators which implies asking from citizens and experts to ask what's happening on the ground.

Are you really getting the result expected from these reforms at sometimes are by fiat or by evolution. Let me conclude now with basically three very, very brief comments. We're not having a big concluding slide for the sake of time and keeping very much in mind what, and we have been reminded that when Winston Churchill said about the democracy we tend to implicitly suggest about much of work and we think it applies in, in, in general in terms of democracy being the worst form of government except for all others. But also I think it's very important to, to keep in mind what we call the arduous climb. It's no silver bullet that somebody magically overnight may find the one indicator which basically will solve our problems. This is a very arduous climb. We all need and we're very aware of our need to do better.

It's an imperfect world where incremental change is, is what's realistic to expect in, in, in the, in the future and the last one is a bumper sticker that I've seen a variant of that or a version somewhere around, which is to put perspective on the counterfactual and is the notion that says if you think there's problem with the data, try without out it. Thank you.

**Steve Radelet:** Okay. Well, thank you very much for those uh, for that, the presentation. I think it gets us off to a great start. I noticed uh, Danny that Nigeria was one of your big im, im, improvers was, did you do something to make sure that was the case knowing that Ngozi was coming? It was very polite of you to do that. Uhm, I want to start actually with uh, with Ngozi who has seen these numbers from various perspectives partly from her time working with the World Bank but I think most importantly from her time as finance minister uh, in Nigeria and so uh, what's the perspective from, from the ground, from seeing these as a, as a country that's being uh, measured? Uh, what are the, not just these indicators but more broadly this whole movement to moving and measuring democ, uh, measuring governance? Uh, how does it look from the perspective of a, of a country being measured?

**Ngozi Okonjo-Iweala:** Well, uh, of course how it looks uh, depends on how well you're doing isn't it? Uh, no but uh, I think Danny, I don't know whether he meant to shut us all up by saying try without data, you know, so we're not to criticize but they'll be some criticism. No, I want to say that probably uh, from the perspective of a \*\*\*\* on the ground, having these indicators uh, uh, uhm, these measurements is crucial. Uhm, if you are in the process of doing a reform uh, there has to be some way of being able to measure where you're going, the trends, the results, and if you don't have that then you have a dialogue of the death. Uh, and the more objective the indicators are, that is the more it comes from some organization or body that is not necessarily uh, yourself, the more people will look at this. So, I think it is, it's crucially important uh, to have these.

Uhm, that being said, and, and let me say that we found these measures initially when we're doing the reform, I'm going to tell this story anyway we tried to get Danny to uh, come, you know, sort of help us and, you know, we wanted to start benchmarking where we were internally and then moving forward and then looking at the indicators and trying to get measures, what should we do with policy in order to prove these, improve these indicators. He wasn't interested in the beginning. Until one year, it, I think it was 2005, last year right? He looked at his data and I got a call. Can I speak to you? And I said what's up? He said there's some interesting results here. I'm now ready to work with you. Uhm, but going back to the, to the, to the point, uhm, the crucial important I will show you that have used these

results but they're also issues and the biggest problem that one we had with these indicators is the lag.

Next Speaker: The time lag.

**Ngozi Okonjo-Iweala:** The time lag. They are often two to three years behind and I used to be feel so aggrieved because I would say by the time they catch up, you'll be out of office –

Next Speaker: Hm mm.

**Ngozi Okonjo-Iweala:** And, you know, so all the good efforts you made uh, or the government has made most of them are not captured until after. And therefore, this is something that one really needs to think about and I'm glad to see the movement was, I know, measurement and complimenting the, the, these uh, results with, with more frequent indicators because if you're reforming government that is fighting very strong vested interests. It is very important to begin to show some results otherwise they win. And when the international measurements keep showing that you're down, the opposition seizes on this, the vested interest seize on this and says look all these reforms are mounting to nothing, you're not making any difference and we had that in the beginning.

We started doing these reforms. We knew something was happening to change things and we are coming from a very low base so it's going to take Nigeria a very long climb. I was actually disappointed that you didn't have a Sunday of a graft because even though improvements have been made and I want to place strong compliments to my colleagues, the people, we had a comprehensive reform program by the way and this is something that I want to say about five \*\*\*\* corruption and governance. Doing that in isolation doesn't help because everything is linked to everything else in the economy, so the way we decided to fight this with a strong political back in \*\*\*\* when we started was to integrate it into a comprehensive economic reform program that also had public expenditure reforms that had public sector reforms embedded in them and then it began to work.

And two of my colleagues took strong lead uh, Mrs. Selby is a person who is now the minister of education and \*\*\*\* probably the bravest person we have in the country at the moment, the head of Economic and Financial Crimes Commission uh, also took, took a lead in doing this. So uhm, I don't want to, I could go on and on but I, I just want to say that apart from the broad indicators the sectoral ones that begin to break down what is happening with the judiciary, what is happening with taxation, what is happening with \*\*\*\* and utilities we found extremely difficult. And sometimes we couldn't even explain, I mean, I have a paper here in which uh, uh, I made a presentation to a large gathering of private sector people in Zurich and showing them these indicators bro, broken down, you know, to investors and business people. It was enormously helpful. They could see that levels are still high. But the issue is not the levels, the issue is what is the trend. And, and this is where this is useful.

Now, let me make two other quick comments and then hope, maybe, we'll, we'll, we'll come back. Uhm, I've already talked about the frustrations with the last, it's the same thing with the CPI of the World Bank. Uhm, you know, it, it, the log is, you know, a couple of years before they really begin to capture uh, what is happening so I want to pose the question back to those who are working with these indicators. They started now a movement to \*\*\*\*. What more can be done uh, to improve this issue because I've seen the integrity index that you

probably say were showing me they're still a lot, you know, two or three years behind. How will you encourage governments that are trying to do, that are trying to change, that have an indicators uh, that follow more what they're doing. How do you make decisions for allocation of resources based on these indicators if they're based on, on logs. That's a big question. Is it fair? That the \*\*\*\* challenge a committee watches \*\*\*\* bases \*\*\*\* on that two to three years old so again, you are rewarding, you are not rewarding those making changes, you are looking back to what happened two to three years ago and by the time you get ready, they're gone and they're not reinforced in what they're doing so what does this say to policy makers. I think that's a question uhm, and then I sometimes I ask \*\*\*\* some of the indicators I'm glad that Danny spent quite some time on margins of error and, and I'm a believer that it's better useful to have these indicators than not to have them but the issues sometimes when you look at an, at an indicator, you say whose perception, you know, and, but okay, so the \*\*\*\* there is, is worldwide because you're using so we don't want to spend too much time but, you know, you do have these issues and sometimes do the people who have been asked really know what's happening in the economy?

You know, a bunch of lawyers who may be uh, the ones that are targeted to talk about doing business. Sometimes they're not even, and then they be government's fault that in spite of everything we've now publicized what we're doing but you find that we're doing reforms in an area and then the richer the country law because they don't know that you just established a pilot system in the federal capital territory for registration of land title and things like that. So, I, I have that question and my final comment is, you know, I began to think about the corruption uh, index and uh, various measurements, you know, how come we're not measuring countries who are keeping corrupt resources in their country? If Switzerland or U.S. or \*\*\*\* or Lichtenstein is to, you know, \$20 billion, you know, whatever, of corruptly stolen funds or assets, are they measured on that? Is that right? How come that's not a measurement of corruption? Because to me there are two sides to supply on demand of corruption, you know? And if you're on the receiving end of the resources are you holier than thou? Why don't you introduce the measure Danny –

Next Speaker: I \*\*\*\* –

Next Speaker: to capture that. And – Singapore, you know, I mean, you might want to look at uh, resources from Indonesia that have fled to Singapore which they are not willing to release. Now, are they rated very high and sacrosanct when they keep billions of dollars from another country and these are questions that I have.

Next Speaker: Good questions. Uh, let me ask you a follow up. You, you mentioned in general the reform uh, programs that you introduced uh, and we saw earlier that Nigeria had one of the biggest improvements in the, in the broad governance scores. Can you be a little more specific uh, not on a, a range of things but pick out two or three specific actions that the government took that you think led to improved governance in some sense and I don't just mean improved numbers in the World Bank, I, I mean, actual real uh, real meaning on the ground in terms of how it, it helped the business environment or the political environment –

Next Speaker: Can you mention a couple of specific things –

Next Speaker: \*\*\*\* talk about –

Next Speaker: \*\*\*\* guys –

Next Speaker: Yeah.

Next Speaker: From the grass of last year one very specific trend you see is leakage of public funds.

Next Speaker: Hm mm.

Next Speaker: And the very specific action was the setting up by my colleagues within the economic team of uh, what we call the due process mechanism in, in Nigeria. They actually set up a value for money audit of all government contracts.

Next Speaker: Hm mm.

Next Speaker: We found that contracts in Nigeria \*\*\*\*, you know, like three to four times higher than laboring countries. There was a lot of leakage and, and, and so auditing this contrast, having a database of, of, you know, in the Internet through the Internet of prizes that could be compared and eventually moving to international and local competitive bidding for contracts.

Next Speaker: Is it public on the Internet, those comparisons?

Next Speaker: No, we, from the Internet –

Next Speaker: \*\*\*\* –

Next Speaker: we are able to build –

Next Speaker: \*\*\*\* to build, right –

Next Speaker: the database of certain uh, you know, prizes –

Next Speaker: Right –

Next Speaker: and this is where this is wonderful and so there's a database that you can compare and you can, you can, you know, audit these and then introducing the fact that unless you got a certificate of performance from the unit, you could not, a contractor could not get money disbursed from the minister of finance \*\*\*\* in the whole thing. So, these are specific actions and you began to see the leakage. In fact, to estimate that we saved uh, almost about \$1.5 billion over three years, the last three years in this, and it shows up here. I mean, we didn't know you're doing it but you know you, you don't know. So far, Danny to do and to show this trend was a wonderful, wonderful thing.

Next Speaker: Hm mm.

Next Speaker: And uhm, the same thing with uh, uh, let me see another one, uh, progress in, bribery in the judiciary uhm, bribe, in taxation uhm, it also showed that there was an improvement still a problem uh, but the fact that we brought in a very dynamic uh, wonderful head of the new tax uh, internal \*\*\*\* of the Internal Revenue uh, Service who began to introduce changes as strongly uh, in, and, not only just process changes and, and uh, reforms

in the laws which are still waiting to be passed but also looking at the staffing and she came from a \*\*\*\* source background so she paid attention to who is working in this agency, what are their values and behaviors, how do we retrain them, how do we give them the resources so they can change if they're busy, uh, engaging in, in bribery behavior. And, and then we begin, begun to also be technically stronger at coming at the companies and, and looking at their taxes and auditing that and your \*\*\*\* soul –

Next Speaker: Hm mm –

Next Speaker: so, uhm, you, you can see policy changes uh, process changes, linking to uhm, declines in levels of corruption –

Next Speaker: Hm mm –

Next Speaker: in specific \*\*\*\* –

**Steve Radelet:** That's great. Let me turn to, to Marianne. We, we've had uh, discussions and, and events here at the center for several years on different indicators of uh, of governance or corruption earlier this year. We, we featured transparency international's uh, latest report on, on global corruption. This is the first time we've had uh, someone from Global Integrity with us so I wanted to start by just giving you the opportunity to kind of briefly describe your work in the index and, and what it's uh, aiming to measure.

**Marianne Camerer:** Thanks very much. I must say it looks very different this room when you're sitting over here from sitting over there but I have been in the audience and I've enjoyed uhm, your presentations and it's a real privilege to be here and also just to hear this move towards complementarity of \*\*\*\* sources. I just wanted to make that comment and just briefly on, on Minister Ngozi's comment on, I think there's really a plea to invest in data generation and, I mean, working for uh, NGO which I co-founded uhm, this is really what we're trying to do is to expand our country coverage uhm, we are about to release uhm, a 43 country study in the second week in January uhm, which will cover Nigeria again as it did in 2004 and I was interested to hear the improvements and procurement because this is something we were picking up in our data.

So, I mean, let me just get back to what we are trying to do. If you look at uhm, [globalintegrity.org](http://globalintegrity.org), you'll see that really our mission is to try and generate information which is useful. Uhm, we're coming at it from social science point of view and from and investigative journalist point of view and so we're not trying to measure corruption. We're looking at apraxia corruption and that's really looking at public integrity systems and institutions and how they work. Uhm, the integrity index measures three distinct things. It's an expert assessment so bearing in mind all the caveats surrounding expert assessments. We try and measure the existence of institutions in a country that are in place to prevent abuses of power and promote public integrity.

The effectiveness of those institutions and it's quite difficult to measure effectiveness but we've developed a range of indicators to try and capture the effectiveness of how you can measure, whether an institution is affected, is it independent, does it have sufficient resources and mandate and budget and thirdly how accessible is this information because ultimately, it's citizens who we want to be able to use this information, public information to hold their government accountable so it's trying to create uhm, a, a, a, a country report and index

assessment and I, I absolutely hear all the caveats about problems of doing comparative research. It's incredibly complex. Corruption's incredibly complex but some sort of assessment of what's going on in a country using in country social scientists and investigative journalists and independent analysts to comment on a broad range of, range of indicators that's really what, what we try and do.

So, if you go to the home page of Global Integrity, you'll find each country has a country report which has country facts, it has a corruption timeline which covers the sort of main media coverage on corruption over the, over the, over the past 10 or 15 years. It then has an investigative reporter who writes a, an essay which gives you a real taste and feel for the issue of corruption because let's face it. Corruption is everywhere. Okay? So, we're not, if, if we were motivated to generate the integrity index by saying you need something more than a shame based perception tool which says you are so corrupt, you want to look at what's really happening in a country, what laws are in place, what policies are working, how strong in the media, how strong is the judiciary? Uhm, so, the idea is to not uhm, measure corruption but to say, what is the strength and weakness of the public integrity systems in place.

So, if I can just quickly relate there are six main dimensions. We look at civil society public information and media as one dimension which is then broken into civil society organizations, media, public access information. Secondly we look at the electoral process, the integrity around elections in terms of participation. The whole crucial issue of the funding of political parties which across the world whether it's in this country or elsewhere there's a problem when it comes to the nexus between money and power. So we're trying to capture whether there's political in countries to at least create an open transparent framework for how the political process is funded.

The third category looks at government accountability across executive, legislative, judicial and then the budget process which is almost one of the most important issues and we know the good work which the international budge process has been doing to try and specifically distract that indicator. We look then at how the administration and civil service functions, we're looking at regulations specifically around whistle blowing, around procurement, around privatization. Then urban site regulations, specific institutions all such as an \*\*\*\* or a supreme order institution, taxes and customs, improvements we can pick up politically and then anticorruption in root of law.

They're already saying that this stuff all works together, these and different aspects of integrity you need to try and see the interrelationship and it's very difficult to work out if a specific law actually has a specific consequence. But we're hoping through our methodology which we've really gone out of our way to be transparent in how we construct the indicators. On the web site you can see every indicator, the actual question which was asked, the sub indicators, how they were scored, the comment which the lead social scientist provided and then there's a blind peer review process where we try and get as many as possible and literally it's a question of resources. To try and get as many readers to comment frankly on whether they agree or not with that score and if not why not.

And so this is an art. It's, it's a very creative process and it's complex and it's exciting and I, I know that people who have worked with expert assessments that they're I think from our point of view at least let's try and be fair in terms of how we're trying to go about this process. Because people take this information incredibly seriously. That's why you're all

sitting here today. You want to know what does this data tell you. And decisions which affect peoples' lives are made on the basis of such information. So if we can try and provide a holistic approach where you look at the corruption issue, that you look at the integrity issue. You look at the, the interplay between them and then you as the public as consumers of this information you look at all that data and draw your own conclusions. And to that extent we publish the desegregated data set as well as the codebook. So we're hoping researchers, program officers, decision makers, politicians, civil, civil society activists, everyone sit around the table and have the same information to look at.

**Steve Radelet:** Uh huh, great that's, I think that's very helpful. Let's turn specifically to this issue about time lags that in goes you mentioned. And Danny if you want to comment on that please?

**Danny Kaufmann:** It's a little bit boring. I think go the \*\*\*\* and then probably we should've said more about the, about time lag. That's one of the reasons why I'm going annual. But that's not enough. And even annual is not enough because even annual some of the data comes from six months earlier so also we could be a year and a half in some, in some dimensions out of tune.

Next Speaker: So you're going to work on a monthly indicator now?

Next Speaker: No.

Next Speaker: Monthly?

Next Speaker: Well almost. Here's the issue and let me give the example of, of very quickly Kenya and, and Nigeria since they both are disappointed within \*\*\*\* the great things in nature. And let's talk first of Kenya very briefly. March 2006 is when in February-March 2006 is when the fieldwork of one very important worldwide \*\*\*\* we have \*\*\*\*. By late June 2006 you know on an informal basis I was discussing the preliminary results with the government in, in, in Kenya and then a couple of months later it was already more official.

So what we saw here is, is basically the time lag on those numbers was three months and was real months until 2006. And that's what happens with the combination of A not going not only annual with the \*\*\*\* indicators but \*\*\*\* indicators is not enough. One has to go down and let \*\*\*\* the most recent individual sources that we can get our hands in almost real time. In the case of Nigeria and this anecdote that \*\*\*\* was too hungry to say about that and yes you had asked me earlier to come. We, we have our always healthy bowls of skepticism the first time we are asked because \*\*\*\* cases where we've been asked to come just to criticize the \*\*\*\* why they, why the numbers are coming so low. They want an expert to come to shoot down the \*\*\*\*. So first we \*\*\*\* that it's because we want to reform and it's for real issues. And which obviously \*\*\*\* was committed.

So we go there, it's October 2005. In October 2005 yes we present the, the aggregate indicators which are not totally up to date. We're some almost a year old in on average. But and some of the data you just mentioned on the budget \*\*\*\* on procurement is only three or four, four months. So the 2000, you have the latest date on that during the discussion with the whole cabinet that of economic cabinet that \*\*\*\* leads under President \*\*\*\*.

Next Speaker: Used to lead.

Next Speaker: Used to yes, used to be. You're right. During the discussion yes it's very clear that in some important dimensions from a very low basis the trend is going upward so Condoleezza and she has suggested and she has written a paper about that a very clear trend in the right direction but not in every dimension. Like on the usual bribe, different types of bribery on some my people like on procurement in the budget and so on. In utilities that's not the case. That's not for us to know that's the interaction of having real voice in a company \*\*\*\* to contribute within the government.

It's a fantastic discussion takes place among you, the President, the others why utilities is not and you come up with, you all come up with answers we have a problem in the utility sector right. And we need to, and start applying reforms to that. This is in real time how a government of performance uses this type of information to interpret and decide how to move forward to that. So it shows both a point on lags and a how we meet to basically work with institutions more in, in real time in that context. The last time that relates to the very good presentation of, of Marianne. We need at the same time to keep very much in mind the issue of the different instruments and different purposes. And it is impossible to have \*\*\*\* on a monthly basis or even a semi-annual and annual and broad country coverage at the same time.

Hundred, 120 plus countries and then in-depth serious expert assessment with all kinds of countries is, is studies at the same time. So basically different than, the decisions have to be made in terms of what \*\*\*\* and use and match the different instruments for the different purposes rather than pretending that it's going to be one instrument or one project that is going to solve the problem of lack of covering the whole world at the same time and having the in-depth report for each country or 150 countries.

**Steve Radelet:** Uh huh, good. Marianne what's, how long is the, is the lag on the data that you collect between the time that it's actually collected on the ground and the time that it's reported and -?

**Marianne Camerer:** Well if I can just talk to the 2006 data which will be the second week in January that we went into the field in June and got brought stuff back so through October. But we were looking – when we asked the social scientists we were looking over the past year. So we're really looking for the past 2005 through 2006. So the 18 months which Danny's talking about makes sense.

Next Speaker: Right, right, right.

**Marianne Camerer:** But you know I, I still want to question clearly in terms of resources and doing the, the, the global coverage. I mean global integrity let's say we'd love to cover the world. I mean we've been doing 15 African countries and Ambassador from \*\*\*\* would love to do \*\*\*\*. It's literally a question of resources. So – and we're very grateful that the bank is one of ours, our funders. So clearly they are good. I mean why can't one do global coverage and in-depth assessment? What is, what is stopping one from doing that and that's really what I had.

Next Speaker: \*\*\*\*.

Next Speaker: But if you have the resources and the capacity at the same time everyone going into the field and capturing the data, using a complimentary of tools. That's one response.

**Steve Radelet:** Good. Let me switch topics a little bit. Art, there's a big debate and people say look all you're doing here is, is, is measuring the extent to which a country has already developed in some sense that you know it just isn't very helpful. Fine you tell us to, you tell us to improve our governance and then, and then things, and then we will develop more rapidly isn't that the same as telling us well if you would only just develop then you'd be developed. Because institutions, institutional quality is so highly correlated with levels of income as you guys have shown.

Which way does it go? Is it that you must improve governance in some different dimension to, to facilitate faster growth and, and higher life expectancy and better development outcomes or is it that you need the resources that come from more rapid development in order to facilitate better governance and institutions? But does that differ with different dimensions of governance. What's, what's going on here with the causality?

Next Speaker: Sure. Actually I wanted to say something on the previous point as well.

Next Speaker: Well you just do that.

Next Speaker: Just about resources. You know in case there's any wealthy people that are sitting in the room it is an important factor. And I, I think it's what we're thinking about. Because if you, I don't know how you put it but –

Next Speaker: We'll leave a cup over by the door and on the way out you can –

Next Speaker: No but it is a serious question that when you hear sort of these, some more journalistic reports or some massive costs of corruption or even think simply about the order of magnitude of a \*\*\*\* assistance going to develop different countries and the you know tens of billions of dollars per year and you think that well if we really think that corruption and governance is such a big issue instead of sinking \$100,000.00 here and \$100,000.00 there which is literally the kind of resources that we operate with in producing these measures of governance maybe it's just as easy to think about a larger scale effort in the order of you know a few million or tens of millions. And probably that would buy an awful lot of good. So that's you know I'm very sympathetic with what, with what Marianne's point that you know a lot more can be done with more resources although there still be issues with, with you know timeliness.

Next Speaker: And you know coming to the question I mean this, this is a, this is an, this is an excellent question. I did show the graph earlier showing some of the sort of strong association across countries between levels of development and, and institutional quality. And a lot thought has gone into you know by, by a large body of scholars who have gone into thinking about how you interpret that. Is it really that the rich countries can afford better governance or is it that good governance drives growth which in the long run leads to new higher levels of development. And the sort of consensus that comes from this work is that it's mostly the form, the latter I should say.

So most of the causation is going from better governance outcomes to better governance to better development outcomes. But it's important not to mistake what that means. That doesn't mean that if a country is going to move from the 83<sup>rd</sup> to the 87<sup>th</sup> percentile of you know one of our governance indicators that we're going to see 2 percent as my entire growth next year or the next three years. And I think one very important thing to keep in mind here is that the relationship between institutional quality of governance and growth is something that's a long-term one. It requires a lot of building upon, requires investments in governance now that are going to have payoffs 10, 15, 20, 30 years down the road. I mean you, you don't have to have a lot of introspection to think about the kind of long run payoffs that going into this.

Think about something very specific like public expenditure tracking for spending on education where too many countries that were spending on education disappears like water into sand. Where's the payoff of having this money actually being well al, allocated. It's going to take time until these kids go to school, go to primary school, go to secondary school and so on. Similar for health and so on. I mean it's not hard to realize that the various interventions that we can do to improve governance today are very long gestation projects. That shouldn't discourage it from action today but it's important to realize that there are no immediate payoffs.

Next Speaker: But, but it must be harder for very low income countries to introduce many of the measures – not all of them. Some of the things that Ngozi mentioned are policy changes that would not be related to income but for a country of \$200.00 per capita that has a tax base of 25 percent of that - \$50.00 per person – which they have to allocate to schools and roads and, and, and, and health systems and, and everything else. How much do you have to pay for competent judges? How much do you have to have buildings with air conditioning that can keep records over time and a computer system so that you can keep the judicial records over time? How much do you have to pay for a police force that's well paid so that they don't take bribes and knock people over the heads? How much do you have for all of these other kinds of resources? It must be harder at some level for the poorest countries to take the steps that we'd like them ah to take in these areas. Doesn't it go the other way to, to at least some, to some extent?

Next Speaker: No, I don't think so. So I, I don't want to suggest that there's no causation in that direction but at the same time it's easy to overemphasize the costs of governance.

Next Speaker: Mmm hmm.

Next Speaker: Recognizing that many things are at some level easy and some things are much harder beyond cost. So some things are policy decisions, rules that can be made and you mentioned you know can you afford to put air conditioning. I was in Bangladesh two weeks ago at a conference no governance and it was a, a very detailed sectoral discussion of governance. One of the ah issues was ah the, the port authority in Chittagong and it turns out that you know a big sort of institutional problem and how that that works is that they're just, there's no decentralized decision making power to the point where the guy who's in charge of the Port of Chittagong doesn't have the authority to order a new air conditioner for his own window.

Next Speaker: Mmm hmm.

Next Speaker: So you know there're already sort of micro level things that aren't a question of money. They're a question of changing the way that things operate in terms of processes.

Next Speaker: Mmm hmm.

Next Speaker: But then that of course brings you to the problem than in many cases is much harder than money which is how do you build consensus to bring about the sort of changes that hurt entrenched interests? There're always people who benefit from the status quo –

Next Speaker: Mmm hmm.

Next Speaker: - and it's not a question of money necessarily. It's not a question of paying more judges. It's a question of getting people to agree that it's important to pay more judges which may be the bigger obstacle than you know the resources cost of higher salaries for this or physical infrastructure for that.

Next Speaker: Mmm hmm. Mmm hmm.

Next Speaker: So money is part of the problem –

Next Speaker: Mmm hmm.

Next Speaker: - but I, I wouldn't at all presume to say that it's the whole problem and I'm sure that other people on the panel have better insights –

Next Speaker: Well I, I –

Next Speaker: - on that.

Next Speaker: I, I want to ask Ngozi basically your reactions and your thoughts on this issue of, of ah the relationship between you know low income and, and the ability to improve on governance \*\*\*\*.

**Ngozi Okonjo-Iweala:** Well I – well let me just state a conviction that you know has come to me strongly when you're actually there trying to run ah part of government ah, ah it, it's just that what separates the developing countries from the developed. I'm firmly convinced it's the absence of institutions, processes, legislation and systems ah and, and, and it becomes very obvious when you start looking at it. So ah with that kind of conviction I think it's – I, I don't have to say that there's truth in both.

Next Speaker: Mmm hmm.

**Ngozi Okonjo-Iweala:** There is truth that it's not money that is the problem every time and that you can change some institutions without ah – and make some good changes – without lots of costs but it's also true that many of the systems that will bring transference eh for instance an improved good governance costs some money. So eh there's truth on both sides. Um you know for instance if you want to we did a lot of reforms and then we came to, we, we, we were, we are in the process of privatizing our ports. For instance concession \*\*\*\* because sometimes if you admit that government is not the best at running certain things. Maybe one step is to find who can run it and then you have a good regulatory system

though to be able to regulate and manage so that you know when you privatize you don't suddenly won't find the public at a disadvantage \*\*\*\* bring a lot of bad feelings or even have a private monopoly where you had a public one. So you have to be careful of these things. Ah but they, they, the, we, we, so that then customs. We were able to do the ports. I don't think there was too much agony but customs in Nigeria as in every country is a big problem. I have yet to see a country where that is not the case and where battles have not been fought. Even in the US. I remember when I first came to this country it was a big issue. So customs you need both.

Next Speaker: Mmm hmm.

**Ngozi Okonjo-Iweala:** Ah you need both the change ah in the institution and the systems and the human resources but you also need to install a whole new set of systems you know that take away discretion as much as possible from the part of customs of the \*\*\*\* -

Next Speaker: Mmm hmm.

**Ngozi Okonjo-Iweala:** - and you know so that you're not interacting with people and you know the ability to then say give me something is taken away -

Next Speaker: Mmm hmm.

**Ngozi Okonjo-Iweala:** - and those cost money but interestingly you know it was easier to get support, to get some of those systems in place - I mean the machines, to get the machines in place and the equipment but when it then came to saying okay we have to configure some of the \*\*\*\* systems with then customs and some of the processes. You've got to map them and reconfigure them. You can't just introduce equipment into a non-functioning -

Next Speaker: Right.

Next Speaker: - way of doing business. That became the problem -

Next Speaker: Right. Right.

Next Speaker: - and the vested interests kicked in and it became extremely difficult. 'Til today it's not been done.

Next Speaker: Right.

Next Speaker: So, so you, they eh you, so in short you need both.

Next Speaker: Right. Okay. Danny wanted to jump in briefly.

Next Speaker: \*\*\*\* if I can break protoc, protocol and ask Ngozi a, a, a, \*\*\*\* question -

Next Speaker: \*\*\*\*.

Next Speaker: - um because one -

Next Speaker: \*\*\*\*.

Next Speaker: One perspective about this question is, is to think through um for, for any country but particularly for the very low income country which reforms are really cost, are resource intensive and demanding –

Next Speaker: Right.

Next Speaker: - versus which ones are, are cost resource or institutional saving.

Next Speaker: Right.

Next Speaker: Right and it's not obvious a priority that for a, a country with a very low base you won't find a lot of opportunities of, of resource saving eh as well. So that raises two questions. Let's take Nigeria and I'd like to hear Ngozi on procurement. You did all this earlier reforms and so on. At, at some point I felt you and your team was codifying how much you were saving on that. So just to give \*\*\*\* some magnitude of how much it can be saved by a reform in this area. Sometimes we lose perspective and we think everything is so costly –

Next Speaker: Mmm.

Next Speaker: - and which relates to the issue that ultimately many \*\*\*\* are political will that matters at least as much as the usual capacity or, or resources and the second related question where there are others \*\*\*\*, what we call low hanging fruits which in a country which is extremely challenged in terms of both income and government one is more likely to find many more low hanging fruits to kick start a \*\*\*\* reforms and of course the more difficult ones and you honed on the judicial reforms and have all the judicial fine but there may be others. So they, in terms of the, those that you found to be obvious, the political will was there and there were some low hanging fruits with which you start which could be very – I mean in, in, in institutional saving and not cost intensive.

Next Speaker: Um –

Next Speaker: \*\*\*\*.

Next Speaker: Yeah no quickly obviously they, they procurement one.

Next Speaker: \*\*\*\*.

Next Speaker: Ah was –

Next Speaker: \*\*\*\*.

Next Speaker: - huge impact and the actually the value for money or uni, unique idea one of my colleagues obviously started – she wanted to do this as an \*\*\*\* outside government and the President invited her to establish ah to work out the again establish it within government and it saved \*\*\*\* magnitude within three to four years of operation about we, we, they, they were keeping tabs in the union 1.5 billion. So for each contract –

Next Speaker: Billion what?

Next Speaker: Billion dollars sorry. Ah that's a, a, a, an enormous amount of money. For each contract that would have in the past just been allowed to go and they were able to sit down with the contractors to show them objective evidence, comparisons from nearby countries that have the same configuration for the same project and so on and ah, and, and, and, and all that and they couldn't really get away from the fact that something was happening. So that's one very ah concrete example but I'll tell you one quick thing. Sometimes it's not that the money's not there. I mean you, you could – it's getting it.

Remember if you're in a democracy you have to go through the legislature and ah money has to be appropriated for you to spend and then you get to the point where they're asking you questions and saying oh no, no this is just a hidden ah pot you know. What do you mean? This is such a wooly ah thing you want to do. What is this regulatory system? Why is it costing so much? Ah at one point in time when we tried to publish – ah one of the biggest reforms we did was publishing each month the amount of money going to each tier of government in Nigeria. The Constitution mandates that we share each month resources from taxes and from oil revenues of which more than 75 percent of our revenues are from oil. So 36 states, federal government, seven \*\*\*\* local governments and so we actually meet with all of the Commissioners of Finance and so on to do this.

Next Speaker: Mmm hmm.

Next Speaker: But people did not know how much their local government got –

Next Speaker: Mmm!

Next Speaker: - or their state.

Next Speaker: Mmm hmm.

Next Speaker: - or the federal. So you couldn't hold anyone accountable you know, ah the accountability issue to say why, why is there no chalk in the schools?

Next Speaker: Mmm, mmm hmm.

Next Speaker: And this is the local government function. Why are there \*\*\*\* schools? By publishing this information month after month people could now get it but I found when we wanted to start this and the President listened that the little pot of money needed to start this somehow was not anywhere.

Next Speaker: Mmm hmm. Mmm hmm.

Next Speaker: You know and you suddenly find yourself held up by the fact that you don't have half a billion dollars or you don't have \$300,000.00. Isn't that ridiculous? And it was the Ministry of Finance but I couldn't find this money anywhere. I didn't have any contingency because each time we put a contingency the legislators would say no, no, no, no.

Next Speaker: Yeah.

Next Speaker: That's a pot. You're going to do something. So you know the funny thing is –

Next Speaker: Mmm.

Next Speaker: - that you could be held up by your own systems –

Next Speaker: Right.

Next Speaker: - from doing something good with a small amount of money. So then you start looking for a donor.

Next Speaker: Yeah.

Next Speaker: You know and then the donors say ah you know that something is wrong. How come you can't get 300,000?

Next Speaker: Right.

Next Speaker: You know but luckily you find a foundation or someone you can explain to. So bear in mind that underground in real time some of the things we think are so easy to do can be held up by little bits and pieces of ah –

Next Speaker: Right. Right.

Next Speaker: - \*\*\*\*.

**Steve Radelet:** Good. I want to come back and ask one more question about the donors and actually start with Marianne whose data isn't used by the donors and, and the uses of these indicators ah by, by donors and the pros and cons of that and after that I'm gonna open it up for questions ah so start to get your questions ready. I was gonna say come up to the microphones but they're not there. Do we have a roving mic? You can maybe just stand and people can begin to kind of line up ah between um, ah behind these folks so we can take a, a, a few questions um but while that's happening I want to ask ah one more question before turning to the audience.

Um the governance indicators are increasing used by donors as a way to allocate money ah and the World Bank and the regional development banks have been doing this for a while as Art, ah Art mentioned ah with the CPIA and the equivalence in, in the other organizations and then ah, ah most publicly of course the Millennium Challenge Account now uses ah these, these indicators um, ah and other donors are, are considering using it in, in, in, in different ah, in difference variations. I'm curious your reactions to that and what you might see that's a good thing about that but what might make you nervous about that ah about using ah these kinds of, of governance indicators given the fact that they measure very different things, given the fact that there are errors ah around that, your thoughts on, on donors using these as, as allocative mechanisms. Marianne?

Marianne Camerer: And once again I think it goes to what the purpose is and if you want to allocate aid more efficiently then you want to have some sort of understanding of where the limited resources and that you might have how you could target them most effectively. I

mean let's face it. There's donor fatigue. I mean that's why there's a whole press towards trying to figure out who should we give money to? Who's actually gonna use this money? Is it actually gonna get to people on the ground?

Next Speaker: Mmm hmm.

Next Speaker: I was thinking when I was walking here that today is, is um World Aids Day you know and what is the relationship between this panel and World Aids Day and you know clearly in terms of, of governance you need functioning institutions, you need smart procurement policies which make sure that the right people get the contracts to deliver the services to people on the ground. So I mean you need information. Donors need information. So you know I don't want to get into a whole discussion around you know aid conditionality but I think if you are a program officer and you've been tossed.

Let's said you're from AID and you now have to design you know you want to fight corruption in Africa you know. First the, let's get it right you know. Africa's not one place so then you realize okay you might be fighting corruption in South Africa. Then you look at how do you really know what's going on. You need, you need data. Now being South African, you know having the sense of what the integrity index shows when it comes to where the pressure points for change might be and clearly the issue of the, the funding of political parties is a, is, is a key issue which, which donors then could you know give their money to support civil society, to support – I mean it's, it's a much larger discussion.

The point is that you need information for, for targeting resources, any resources um and to then benchmark what affect and, and this is where it gets tricky because how can you actually say that you're, you know this is – I mean donors love it and NGOs are particularly under pressure to prove you know how their information is being used to affect change in Ukraine or whatever but you know they want to benchmark their efforts. People want to know that what they're doing actually makes a difference. Now how do you, how do you do that? You have to come up with some sort of benchmarking process. You need data to do that.

Next Speaker: Mmm hmm.

Next Speaker: You need information to do that. It helps if you have in country information people, from people who actually know what's going on on the ground –

Next Speaker: Mmm hmm.

Next Speaker: - um so that you're not just sitting in, in, in, in Washington or, or Brussels or New York and um that you really have – you know I'm just making a press for hard, credible –

Next Speaker: Yeah.

Next Speaker: - data –

Next Speaker: Yeah.

Next Speaker: - which comes timely from the field.

Next Speaker: Yup. I think that makes sense. Art your, your views as a, a producer of this data that's ah, that's used particularly by the MCA, good, good and bad thoughts about that.

Next Speaker: Ah I, I, I think I agree a lot with what Marianne says. I mean the, the basic ideas that you know it's, it's, it's the bumper sticker that Danny wrapped up with. I mean try thinking about how to allocate aid well across countries without the help of any kind of data and you realize that we're much better off to have some kind of data that we use you know with appropriate humility and with \*\*\*\* appropriate um, ah attention to margins of error, appropriate attention to imprecision.

Next Speaker: Appropriate humility to have a firm cutoff at the median and either you're in or you're out?

Next Speaker: Um I think the MCC is –

Next Speaker: You don't want to answer that.

Next Speaker: What's that? This is something as you know we discussed with ah with our friends at the MCA –

Next Speaker: I'm \*\*\*\* as well.

Next Speaker: - \*\*\*\*.

Next Speaker: I'm as much implicated as you.

Next Speaker: And ah it's something that I think they're um you know rightly viewing that there has to be flexibility whenever countries are near cutoffs. I mean a cutoff is always unfortunate because some guys are gonna be just above and some are gonna be just below and there has to be room for discretion there.

Next Speaker: Mmm hmm.

Next Speaker: But –

Next Speaker: Mmm hmm.

Next Speaker: But to be fair –

Next Speaker: Yeah.

Next Speaker: But to be fair –

Next Speaker: Yeah.

Next Speaker: Ah to, to give you –

Next Speaker: \*\*\*\*?

Next Speaker: No \*\*\*\*. You started it out but ah, but to be fair to MCA anything, an implicit recommendation about of the point about margins of error and a bit of circumspection MCA now has the threshold countries which in some sense is recognizing the whole middle category and nobody can be totally sure that we know exactly what ah what that point, point, point is eh and a related point is ah one has to and as related to Marianne was saying we have to exercise good judgment about these data and complemented with good judgment about other information that comes in because of Ngozi's point about lags which is crucial. So of obviously having data is so much better than not having it but –

Next Speaker: Mmm hmm.

Next Speaker: - to have very good judgment about that data and complementary information from investigation –

Next Speaker: Mmm hmm.

Next Speaker: - departments, from others that come sometimes on time, on real time while the other data may be six or 18 months –

Next Speaker: Mmm hmm.

Next Speaker: - eh months old –

Next Speaker: Mmm hmm.

Next Speaker: - is, is crucial.

Next Speaker: So yeah Ngozi – you can – please.

Next Speaker: \*\*\*\* a question about –

Next Speaker: Yes.

Next Speaker: - how do you support a reforming government because you know they're below the threshold you know but you want to signal that you're doing something in the right direction, we want to show support. If you use this kind of information how then do you work this in or you say well you know in, in ah ten years' time when you get to the threshold, in five years' time when you're there then we'll say hello to you. Is there some other way? This is creativity within the index to say look we have this threshold thing but you know we need to recognize when stronger forces are \*\*\*\* and not make it political either but objective and you know so you can, you recognize a Georgia for instance or whatever but you may not recognize another country that is making effort. On what basis do you do that?

Next Speaker: Mmm hmm. Mmm hmm.

Next Speaker: I have serious problems with this issue and donors need to think about it and devise mechanisms for flexibility. You know you don't want to pat their – I'm not saying you just because they're making efforts. You say you're home free? No. It's just that you need to signal that we recognize this is, this is – you're making stronger \*\*\*\* for you may not be there yet but we want to encourage you.

Next Speaker: Right. I think there's a, a, a debate on that as to with these indicators whether it's CPIA or, or, or the MCA indicators whether ah the, the stance should be these are the indicators, ah once you make the grade ah then, then you're in and that may create internal incentives for the government to take action on its own, get the parliament to move, get the bureaucracy to move and take actions and take full responsibility. That's one point of view. The other ah is to, is to say well, we'll, we'll, we've identified these problems and we recognize good efforts along the way. The MCA does a little bit of both. The MCC does a little bit of both because they have this what they call the threshold program which is designed to do exactly that, ah that countries that don't quite make the grade but are moving in that direction not provide small grants but ah but still this doesn't quite get fully ah, ah, ah –

Next Speaker: And I strongly believe – sorry – that you know each country should not be working towards some MCA –

Next Speaker: Mmm hmm.

Next Speaker: - indicator or some external. You should be doing it because you need to do it and you should have your own indicators of performance that may be more important. So I'm making the point but really internally when I spoke to the MCA in the beginning I said why am I even worrying about it?

Next Speaker: Right.

Next Speaker: You know for I, I mean the issue is what are we doing, what are our own measurements –

Next Speaker: Right.

Next Speaker: - of our progress and, and then you know if ten years down the line they decide they are good enough for them to say something in, in –

Next Speaker: Right.

Next Speaker: - that case you know it's not so much an issue but for countries that really need the resources –

Next Speaker: Right.

Next Speaker: - I think they should – these are some of the, the issues –

Next Speaker: Yeah.

Next Speaker: - that will need to be \*\*\*\*.

Next Speaker: Well it's been interesting to me to watch because in the beginning the view with the MCA ah, ah when it was being formulated was not so much the incentive affect – although there was a little debate about that – it was let's identify the countries that for their own purposes, for their own reasons have taken these important steps and those are the ones

that we will support. Ah over time ah the debate within the MCA community, the MCC itself has shifted towards these indicators as a powerful incentive effect to induce policy change and actually it makes me a little bit nervous that that's not actually ah the purpose. There's some value in that but I, I do worry a little bit that it's gone a little bit too strong towards that incentive effect.

Let's turn now ah to the audience. Um, ah and you can line up and, and if you've got some questions please ah couple of things. State your name and your affiliation um and ah and make it a brief question. Um we love long speeches but not in this context. Ah actually we don't love long speeches. We like short question that are to the point. You can either ask the panel ah generally or one specific person and obviously the quicker we can move through it the more questions we can have. So we'll start with you in the front and then we'll rotate to the back microphone ah one each.

Next Speaker: Ah thank you very much. Ah my name is Robert Paster. I'm at American University ah and my question is for Danny \*\*\*\* and for Dr. Ngozi as well. Um in many ways the, the efforts against corruption have entered a new generation with the establishment of different commissions around the world, anticorruption commissions. A good example of course is that Economic, Financial and Crimes Commission that was established in Nigeria and I can sympathize with Dr. Ngozi's feeling about a timeline and that is that the credit that she deserves is now just coming out after she left but in some ways the larger challenge for the World Bank and for Nigeria is, is that ah, ah is the timeline may now be in the other direction and that is the credit for the progress that has been made in Nigeria may not be directly ah, ah, ah, ah, ah, ah understandable at this point because there are a lot of signs the Economic, Financial and Crimes Commission is being used for partisan purposes, not for neutral purposes. Ah apparently even though they've named a large number of politicians they're really going after ah politicians that are ah that are the enemies of the President and not those that are the friends.

So the question for Dr. Ngozi is what to do about the, this important institution that was established to make sure that it retains credibility by being impartial. Question to the World Bank is should the World Bank be silent on an issue such as this ah at this point in time. Should it not be talking about ah the possible perversion of such an important commission to be used for political purposes?

Next Speaker: \*\*\*\*?

Next Speaker: Yeah.

Next Speaker: \*\*\*\* change. Could you add a larger question? What reforms seem less reversible?

Next Speaker: Okay \*\*\*\*.

Next Speaker: Question to anyone here.

Next Speaker: So people can hear.

Next Speaker: Sorry to interrupt. I \*\*\*\*.

Next Speaker: Nancy, Nancy is my boss and as the President of CGD gets to, gets to butt in anytime she wants.

Next Speaker: I have that, a question about reversibility which is the background for um Bob Paster's –

Next Speaker: For that question.

Next Speaker: - question.

Next Speaker: Right.

Next Speaker: Which do you, do we have any understanding from all this work of which kinds of reforms are more or less likely to be easily reversed?

Next Speaker: Mmm hmm. Mmm hmm. Good. Ngozi you want to take that on?

Next Speaker: Yup okay. You, do you want me to \*\*\*\* -

Next Speaker: \*\*\*\*.

Next Speaker: - or no?

Next Speaker: Ah –

Next Speaker: Okay.

Next Speaker: Yup. Go ahead. Um once you briefly answer Danny and then –

Next Speaker: Okay. I'll, I'll, it's very difficult to be brief but I'll try.

Next Speaker: Right.

Next Speaker: Um I'll say two things now that you may or may not like my answer ah or my opinion but, but I'm known to be blunt. Ah first of all on the issue, I, I do agree that a corruption fighting institution is there to be, to fight corruption objectively and should not be politicized ah you know so let's just take that as a basis but I also find that people who ask this question about EFCC – first of all we've got ah EFCC has done the most wonderful work in the country. It's, it's raised a lot of issues and noise and people are not talking about corruption all the time to the point where people may feel that there's even more corruption than before when actually is the freedom to talk about it, to name names, to, to say whatever ah which is part of democracy.

Now I think people need to look objectively at who has EFCC prosecuted, who has EFCC gotten, ah gotten convictions and who has EFCC arrested? I think first of all do an objective analysis and if you do that you will see that there're people among those who are strong friends of the President. So it is not correct. I am not in the administration so I'm not trying to defend or not defend but I just want objectively to \*\*\*\*. You have to find that in that crowd there're people who are very strongly close to the President who have been arrested, prosecuted and imprisoned, at least three or four of them. So when the statement is made that

this is being used as a tool to haunt people it cannot be quite correct because if that's the case the IG, Inspector General of Police, the top law enforcement official who felt he was so close to the President that this could never happen to him. Why was he then arrested and a conviction was obtained and he was jailed?

Next Speaker: Mmm.

Next Speaker: Why was it that \*\*\*\* - ah sorry – not \*\*\*\* um I'm, I'm mentioning the wrong name. Let me not name names but one of the ministers that was previously very close to the President was arrested to the point where the family today still in shock that this could ever happen because it was one of the people instrumental in helping the President when he got out of prison and all that. You know so we also need to look so I'm saying to you that I don't quite buy into entire, entire – so we should sound warning signals that let EFCC be objective but because EFCC is pursuing one or two people who have loud voice and clout and who can now say that look it's because I'm the President's enemy.

That's why they're running after me. That's why this noise is being made. So I'd like some objectivity. The other thing I want to say to you is I'm all for the rule of law but if someone is corrupt I don't really care if they're a friend or an enemy of the President. That's not the point. The point is that they're an enemy of Nigeria –

Next Speaker: Mmm hmm. Mmm hmm.

Next Speaker: - and an enemy of Nigerian people and therefore you need to find out what it is and give them due process of law. I'm very much against using any means. Anything goes. I don't think the end justifies the means because in the end you lose but I don't see why you shouldn't go after them because they are not a friend of the President. Do you see what I'm saying? So I have difficulty and I think EFCC's in a very difficult position. Whatever you do in Nigeria if you go after this person ah he went after me because I'm evil, you're \*\*\*\* north, south, east, west there's always a reason. I'm a friend of the President, no friend of the President. So let's bear that in mind.

Next Speaker: \*\*\*\*.

Next Speaker: So summary I agree with you, don't politicize but don't jump to judgment either. Take the objective facts and analyze what has been done.

Next Speaker: Mmm hmm. Any ah quick response in terms of the World Banks?

Next Speaker: Yeah um well these days we would definitely not mince words even if we felt that perversion had taken place. It is not our considered judgment about the case of, of, of Nigeria would just hurt and Ngozi \*\*\*\* that but we have been on the record and I mentioned before the, the case of Kenya. Let's be very frank. There are enormous challenges. The judiciary I mean a report that we have been writing. We have been very clear about the dysfunctionality of the whole judiciary system and the, the challenge that that provides.

At the same time very constructively suggesting steps of how do we engage, how we can help to make that eh that system work eh better in the, in the, in the future but the direction and the, and the standing within our organization now is to be totally straightforward in terms of describing the nature of the problem while at the same time to be very constructive in, in

optimizing engagement on these very tricky government issues in choosing the next stage not to move away from the country because of the description maybe challenging or, or negative but to say okay what can be done to, to, to, to improve and that's why I showed the case of, of, of Kenya and Gozi discussed Nigeria. Should we answered very quickly eh –

Next Speaker: Yeah please.

Next Speaker: Um because –

Next Speaker: \*\*\*\*.

Next Speaker: - she's your boss. She's your boss.

Next Speaker: Absolutely.

Next Speaker: Yeah. Um so we need to address it and who knows someday she may be my boss so I better, better say something about it.

Next Speaker: \*\*\*\* that's \*\*\*\* this thing \*\*\*\*.

Next Speaker: For the, for the sake of bullet \*\*\*\*, for the sake of, of time, I, I –

Next Speaker: See when she becomes President –

Next Speaker: - I may be –

Next Speaker: \*\*\*\* Bank when you join the Senate \*\*\*\*.

Next Speaker: \*\*\*\*.

Next Speaker: Right.

Next Speaker: Um one of the most underemphasized types of reforms in government and in fact the word hasn't even come up today yet is transparency related reforms and many of them um have that feature of not being very easily reversible. Once you start making transparent issues like procurement one can come down and so on but it's, it's harder to go back to obscure, obscurities and if you couple that with, with eh reforms related to a freedom of expression and particularly related to the role of the media that also very difficult to reverse. That's why some governments are reticent of starting that because they know that is very difficult to turn back.

At the juncture between those two and that's a flag to what we're all here for and what's also underestimated is the importance of \*\*\*\* and data as an empowering tool for reforms. This is not just about research, about monetary or about donors allocating funds. These type of work and that's the most satisfying aspect of the \*\*\*\* that we have gotten over the years empowers reformists, empowers civil society, empowers \*\*\*\* also. See but society and the media gets involved and that's placed an absolutely \*\*\*\*. This type of data – and let's mince no words; I'll be very frank – it does create \*\*\*\* from certain quarters including in our own organization. There are many representatives of government who, who provide a lot of support. I like it very much. There are others who have very serious questions and ah

depending also why the rating comes. So we do not know how long these will survive within an organization like the World Bank but recently I was in a meetings \*\*\*\*. It's very nice to see all the interest here but in, in London or the \*\*\*\* something \*\*\*\* hundreds of people and somebody said from a TNGO why can't this effort be taken to our NGO? How can we trust the World Bank will support this effort forever? The technology's already out there. Um how, how to do it it's not rocket science. So data and R and D type of innovation which that's empowering reformists is irreversible.

Next Speaker: Mmm hmm. Good. We have I think six people in line ah and we'll start with the person in the back. Let's take three quick questions. We'll answer those and then have the other three. So if you're not in line yet, don't – if you're not in line now don't \*\*\*\*, don't add, ah don't add the line. We'll cut it off ah right as we are now but if you can please start in the back.

Next Speaker: Sure. Ah Connico and \*\*\*\* Sullivan Principals. Um just a, a question wondering if sort of turning it around a little bit. Um instead of looking at what's good for the donors is there, is there any concept of what um impact foreign private investment has on governance in a larger, in a broader impact and if so which areas of the, the \*\*\*\* or of the, of the measurements that it has that impact?

Next Speaker: The impact of foreign investment has –

Next Speaker: \*\*\*\*.

Next Speaker: - on governance or the other way around?

Next Speaker: \*\*\*\*.

Next Speaker: No foreign impact on governance –

Next Speaker: Okay.

Next Speaker: - in various sectors and if so is there also just a quick second part – does their behavior have any significant impact like as a foreign body on the governance issue s that –

Next Speaker: Mmm.

Next Speaker: - you know are pertinent perhaps in the –

Next Speaker: Okay.

Next Speaker: - ah \*\*\*\*.

Next Speaker: We'll, I think we'll ask Aart to take that one in a minute but ah, ah that's great. Thank you very much. In the front please.

Next Speaker: Hello. My name is April Roulette, I'm from Cornell University and I was just wondering if you did have unlimited resources, unlimited budget if there was a type of data – excuse me – a type of data that you would like to collect that you feel is currently missing –

Next Speaker: Mmm.

Next Speaker: - from your indicator that would help improve the integrity of the indicator?

Next Speaker: Mmm hmm. Well Ngozi found a billion dollars I think she said. So that'll fund Aart for a long time \*\*\*\* a lot of \*\*\*\*. Yes in the back.

Next Speaker: \*\*\*\*.

Next Speaker: Yes my name's Isaac Maxner. I'm from the Results Secretary at the World Bank and I actually have a lot of questions but I'll stick to one. Um one thing that we're pushing is statistical capacity building in countries. So I'm wondering what you're seeing there in your data collection –

Next Speaker: Mmm hmm.

Next Speaker: - how is it affecting your time lag, um yeah so statistical capacity building \*\*\*\*.

Next Speaker: Okay. Good. Okay. Thank you. Three good questions. Ah Art what's the evidence if there's any on the ah relationship between the FDI and governance indicators.

Next Speaker: Ah, ah, so I, I think the, the, the question is does FDI matter for governance or is there, is it a relationship when you're doing the answer it's surely got to be yes but the answer also surely has got to be for good and for ill depending on the circumstances as well. Ah I think we have a, a quite of evidence that FDI is more attractive to countries ah that have good governance. At the same time we have to recognize that not just foreign investment but and this is something that, that Danny's done more work on and maybe he wants to chime in as well that the whole sort of role of the private sector in enabling \*\*\*\* corruption.

I mean there's always, there's always a briber behind the, the right knee and you know this happens. This is done by foreign investors as well as domestic investors. So there's \*\*\*\*, there's clearly risks that um in very difficult governance environments that foreign investors are not helping. On the other hand there – yeah there can be circumstances where foreign investors ah you know can contribute to, to, to, to, to demands for change.

Next Speaker: Good. Marianne if you could collect any data –

Next Speaker: Yeah \*\*\*\*.

Next Speaker: - what would it be?

Next Speaker: Well first we would want to just from our point of view improve our tools just looking at a national governance assessment but really corruption happens at local government level. There're very few local governments integrity assessments. So I think if one could try you know I mean if you think of how complex Nigeria is with \*\*\*\* as a country in South Africa at the regional level or federal level and then at local government level if one could try and develop a tool which could be useful \*\*\*\*.

Next Speaker: Mmm hmm.

Next Speaker: I mean we can have a longer discussion about that.

Next Speaker: Yeah. Danny what's missing that you want to collect if you –

Next Speaker: Well –

Next Speaker: - Art had his billion dollars or if you did collect more data? What's missing?

Next Speaker: \*\*\*\* a lot of things missing but \*\*\*\* for – I want to pick up on, on what Gozi was saying before and eh it's a better understanding of what's happening on, on corruption and this governments and on the rich countryside and on the \*\*\*\* countryside. If we could –

Next Speaker: Okay.

Next Speaker: - put more resources to find out how much stolen asset, lootous assets are really hiding and where they are and in what banks, the extent of that, that is, is happening and related to the other question on F, FDI obviously there are two types of foreign investors nowadays. None \*\*\*\* is split half and half but there's a very significant minority which is still bribing abroad ah but in bad governments or in good governments in terms of the, the officials we are doing some \*\*\*\* on that but the, we should do much better and much more in the future of looking at the um the, the global responsibility side and not always come out how is the developing country because it's, it's a collective responsibility.

Next Speaker: It's a really, it's a really good point and I'm glad you reminded – eh because I knew there was something, there was something niggling in my brain that I had forgotten and that was it to, to follow up on that point. On the last question about building statistical capacity and Gozi what steps are being taken, what are the big constrains to building better capacity on the ground to collect this kind of data?

Next Speaker: Um I think this is ah the issue of statistics and statistical capacity is so crucial because ah you know and it's still actually ah when I was in government the President used to say that his biggest frustration was that when he started he asked the World Bank and the \*\*\*\* to help him he said ah that when you \*\*\*\* that to build ah capacity for better statistics and eight years down the line it was still nowhere. So I believe it's important. I think the way that there's a systematic effort now with statistical master plans. The country itself ah has to be at the forefront you know identifying what the key issues are and the gaps and then working ah you know to make sure that it's leading the effort rather than the other \*\*\*\*. Otherwise capacity building you just talk –

Next Speaker: Right.

Next Speaker: - and you don't do anything. So I, I believe the way it's going now we're going to get somewhere with –

Next Speaker: Right.

Next Speaker: Ah but you need people minding the statistical institutions who believe this is important and who believe statistics ah is also very important and sometimes even need legislation. \*\*\*\* have said to back off some of these changes ah you know so that it makes it

more difficult to reverse. In my country on this issue I think some of these things we've tried to craft right legislation. The big thing is they must be passed –

Next Speaker: Right.

Next Speaker: - now so as to sustain ah the reforms.

Next Speaker: Right. Right.

Next Speaker: I just want touch a quick note on FDI. When we were doing reforms we found in the beginning are some of the most resistant ah companies to the reforms and this really shocked me were the foreign companies.

Next Speaker: The ones that were already there?

Next Speaker: The ones that were already there.

Next Speaker: Yeah. Yeah. Once you're in -

Next Speaker: \*\*\*\* going to change –

Next Speaker: Once you're in you don't – yeah.

Next Speaker: Yeah and it was easier for them to do a little something under the table –

Next Speaker: Yeah.

Next Speaker: - than to do it the right way and I –

Next Speaker: \*\*\*\*.

Next Speaker: - almost got zapped one of the first few times because a foreign company that was entrenched ah, ah you know complained that this minister is –

Next Speaker: Yeah.

Next Speaker: - you know who does she think she is?

Next Speaker: Right.

Next Speaker: You know we are bigger.

Next Speaker: Right.

Next Speaker: You know they used to handle little envelopes at Christmastime and –

Next Speaker: It's very interesting because I lived in –

Next Speaker: \*\*\*\*.

Next Speaker: - Indonesia for several years and, and, and –

Next Speaker: \*\*\*\* so little \*\*\*\*.

Next Speaker: - and ah I had a similar conversation with a foreign investor in Indonesia who was already in and he was against the reforms and basically his company had figured out –

Next Speaker: \*\*\*\*.

Next Speaker: - how to work through the system and that gave them a great advantage over other companies that hadn't figured it out and they didn't want to lose that advantage. We have four more people in line. Let's quickly go through this four ah and ah and, and, and, and, and turn it to the panel for answers.

Next Speaker: Hi. I'm Martha Dye with Transparency International USA ah and I want to thank the panelists for their very interesting ah presentations. I want to touch briefly on this issue of the variety of the, of ah indicators and, and the need for, for a different \*\*\*\* which I think is very important um and TI I mean it's been mentioned a couple of times in, in the various presentations primarily for our \*\*\*\* and perceptions index which is our most ah you know well know index but we also have a variety of other tools that I think are very important and would fit in with this complementary ah array of possible tools um one of them being the, the Brypears Index, actually the ah the, we're just getting to this whole foreign \*\*\*\* direct investment thing that was just ah being discussed just now.

We, we ah look at countries and which ones are most likely to be paying bribes abroad um which actually captures a lot of main exporting countries but also ah, ah aside from perception type index, indices we have the global \*\*\*\* corruption report which is the one that you referred to Steve where they had the event with CTD recently that covers a particular sector each year. So it looks at sector specific corruption issues ah and then finally I think that one of the ones that is ah really very relevant and ah related to some of the work you're doing Marianne ah is the National Integrity Systems Surveys that our local chapters around the world – we have more than 90 chapters around the world do on a regular basis and back in the 90s ah TI developed this concept of a national integrity system which is all the different ballistic components of um of a country's government and, and it's, it's processes that are needed in order to ah fight corruption and to, to ah maintain integrity and then the National chapters, each one ah takes this system and assesses it and can create sort of a gap analysis of what is needed ah that, that leads to an action plan and many of the governments, many governments have taken action plans from these, these types of um surveys and more than 50 have been completed just since 2001. Um so I hope you all are using that kind of data and ah and I hope that's ah you know relevant also for the people in the room. Um I guess sort of ah more of a comment than a –

Next Speaker: Great \*\*\*\*.

Next Speaker: \*\*\*\*.

Next Speaker: - than a question.

Next Speaker: Thank you. Thanks for \*\*\*\*.

Next Speaker: But you know ah TI's obviously a big part of this conversation.

Next Speaker: Great.

Next Speaker: So \*\*\*\*.

Next Speaker: Thanks for bringing –

Next Speaker: \*\*\*\*.

Next Speaker: - for bringing that up. Next.

Next Speaker: \*\*\*\*.

Next Speaker: Thank you very much. Ah my name is Mohammed Sand. I'm a Nigerian ah but ah I'm from \*\*\*\*. First of all I'd like to commend ah Ngozi for taking the time off ah to serve Nigeria and ah it's \*\*\*\* -

Next Speaker: She doesn't feel like time off \*\*\*\*.

Next Speaker: Um \*\*\*\* you, you could not stay longer but I think the \*\*\*\* we have ah with regard to institutions such as EFCC is the question of continuity. Ah we have many cases where good institutions like that come and go with the governments that brought them about. So ah what do you think should be done to make sure that ah people like \*\*\*\* -

Next Speaker: Right.

Next Speaker: - and his commission remain even after the ah, ah time of the ah, the current ah regime?

Next Speaker: An excellent question.

Next Speaker: And also ah just to follow up on the question which was almost answered but that was the question about indicators from the governments in the west that \*\*\*\* allowing this many to be transferred from the developing countries into those banks. Ah what should we do about that? Ah do you think there should be ah not only indicators but also some pressure ah to make sure that they don't accept the money and also ah with regard to Mary Ann do you think that ah you need to actively engage the local media ah in countries like Nigeria why they can talk about corruption and ah promote the kind of things that you are trying to promote just the way they did with regard to the \*\*\*\* crisis \*\*\*\* military governments?

Next Speaker: Ah thank you.

Next Speaker: \*\*\*\*.

Next Speaker: Thank you very much.

Next Speaker: Thanks. That's an interesting question that's related to the debate about diamonds actually and the pressure that's come on purchasing countries for tracking ah, ah diamonds that have been –

Next Speaker: \*\*\*\*.

Next Speaker: - purchased illicitly.

Next Speaker: Yes sir.

Next Speaker: Can \*\*\*\* have a \*\*\*\*.

Next Speaker: Hi. I'm Mari \*\*\*\* with \*\*\*\*. Presumably we talked about thresholds and the unfairness and margins of error. That aside presumably we're interested in the delta right? How much can a country improve regardless of where they're starting from because that all adds up to better development.

Next Speaker: Mmm hmm.

Next Speaker: So if we're really interested in the delta what is, what exists in the data now that can allow us to – I hesitate to say – predict but basically you want to try and reward people who have the political will and/or the underlying conditions that allow them to make the biggest increase in, in the government's indicators \*\*\*\* if we accept them to be good.

Next Speaker: Mmm hmm. Mmm hmm.

Next Speaker: So you know do you have any, any thoughts, any hypotheses about what are some of the things we should be looking at that would allow us to say you know this country \*\*\*\* really has a good chance of improving –

Next Speaker: Right.

Next Speaker: - making huge strides \*\*\*\*.

Next Speaker: \*\*\*\*. Good. Thanks Mari. Good question.

Speaker: A few of those questions I think are, are for you. Ah one \*\*\*\* and goes one on ah how to ensure the reforms are sustained, sustainable. Ah you're gone. Is it all gonna collapse now that you – no I don't want to personalize it but more broadly regimes change, people change and sometimes things slip back. So how do we ensure that this stuff is sustained and then the last question that the gentleman just asked about ah steps to track these things um so those two questions for you and then we'll ask the others about Mari's question about ah the –

Next Speaker: \*\*\*\*.

Next Speaker: - \*\*\*\* and how to use changes and the indicators.

Next Speaker: Yeah. The – yes I think you have to remember that you know with all group of people in the country doing these reforms. It's not one person and I feel very uncomfortable you know –

Next Speaker: I, I, \*\*\*\* -

Next Speaker: - being given so much credit.

Next Speaker: But there's some truth to it.

Next Speaker: Yeah but you know there's a team of people – first of all there's a political world. The president obviously should be given credit for supporting – having the will to back the team and there was an economic team – originally 12 people, now 17 – working hard and many of them are still there but even beyond the team \*\*\*\* the ability has to depend on the people.

Next Speaker: Mmm hmm.

Next Speaker: The way that these reforms can be sustained ah, are, are twofold. I'm not saying that the \*\*\*\* people don't matter but the Nigerian people something incredible has happened. In the beginning there was tremendous skepticism about the reforms. You know people said oh you're well done \*\*\*\* a spy. These people have come with some ideologic and as they begun to see results they begun to buy into it. So I firmly believe that attempts to reverse this whole scale – I'm not saying you don't count. You know it's not a whether or where the edges but attempts to do whole scale reversal will meet with a lot of questions and resistance and this is what I – this is the way I think it should be.

So that will begin to show you. When I left there was tremendous ah – I can't believe. You know going on is, is I'm half this, I'm half that. I told them a half year it's wonderful to be home 'cause people really appreciate what has been done. So getting the people tuned into what was being done, getting their ownership will ah help us show sustainability and then getting legislation so that even if people want to reverse it there'll be a few questions asked.

Next Speaker: Mmm hmm.

Next Speaker: I'm not saying it can't happen. I'm not being naive. You know you can get some presidential or, or set of people but there'll be questions asked. It won't be just ask easy now. No. Specifically I think that first of all the tenure is beyond the tenure of this government, its tenure in office. So that should be – and I think this is a good thing – that you have people who have you know this long tenure that outlasts ah the, the governments there in but does that mean that someone can wake up tomorrow and remove him? You know? Even now you know he can be removed and so on. I'm not saying it's not possible but I'm hoping that some of these institutional processes \*\*\*\* will work and that if it is \*\*\*\* Nigerians – first of all you have to overcome, overturn the legislation that puts EFCC in place

–

Next Speaker: Mmm hmm.

Next Speaker: - and that Nigerians will rise up –

Next Speaker: Mmm hmm.

Next Speaker: - and demand that an institution that is doing some good – is it perfect? No. Has it made some mistakes? I'm sure it has. But it is the best we've seen for some time in the country.

Next Speaker: Mmm hmm.

Next Speaker: Then on the issue of ah funds ah I, I be, I believe um what you said, ah the question you asked about tracking funds. Now this is very important um but it is ah a process, it is very difficult to do. I think we, we're seeing things in stages. The first stage was to let people know at least what's, what is there you know what are people, what are their governments getting to? What are their governors and local government gentlemen playing with or the federal government? That was the first stage. The next stage was to design a process for tracking the funds and we actually started at the federal government level. Ah by the debt, the funds that were released from the debt relief ah about a billion dollars are being tracked through a virtual property fund. We borrowed the tracking system or mechanism used in Tanzania and Uganda to follow funds from the point of where they are released to the project end.

Next Speaker: Mmm hmm.

Next Speaker: Where the results will be obtained and we did start it, this as a pi, pilot. Ah this is the second year we're going into it. Now we said if this works – that was the idea – that if we get good results from this tracking mechanism we would then use it over the whole budget and then ah after the federal level you go to the states. One challenge we have in Nigeria is that the reforms \*\*\*\* did at the federal level have not quite penetrated to the states and that was next stage but I say to people hey it's just three years.

Next Speaker: Mmm hmm.

Next Speaker: Look what we've done in three years. So when you tell me this is not done, that is not done, that \*\*\*\*. You know? I mean people we're working. We're working 20 hours a day seven days a week and in three years \*\*\*\* this was pulled \*\*\*\*. So if we keep at that pace we will be able to penetrate the states. We will be able to track.

Next Speaker: Mmm hmm.

Next Speaker: But mark you there're very few. Actually many of the things we are doing – if you look at donor countries quote unquote they're not doing many of these things.

Next Speaker: Mmm hmm.

Next Speaker: Uh huh.

Next Speaker: How many countries ah de, develop, can track their money from the point where they release it to the point where the project is done but they do have good audit systems –

Next Speaker: Right.

Next Speaker: - to come back afterwards and then they do hold people accountable if the money goes missing and I think if we can do it or we should look at this.

Next Speaker: Mmm hmm.

Next Speaker: How do we have the ability to go back and audit on a random basis. I say hey this money was not spent doing this. Therefore and we will hold you accountable. Now we don't care who you are. You'll go to jail.

Next Speaker: Mmm hmm.

Next Speaker: I think those things are the things we need to, to think about to get better results.

Next Speaker: Mmm hmm. Good. Thank you. Danny or Aart on Marianne's question about the deltas, the changes in the indicators and how those can be used. One of you and then we'll finish up with –

Next Speaker: \*\*\*\*.

Next Speaker: Mary Ann commenting –

Next Speaker: \*\*\*\*.

Next Speaker: Go ahead.

Next Speaker: \*\*\*\* absolutely crucial to, to look seriously and take seriously the debt, ah the issues being discussed. I mean \*\*\*\* implicitly the threshold countries \*\*\*\* in that direction. We are doing it and more but I think it's very important to look at meaningful deltas. There's too much elevator economics going on. Oh from last year look at this and that and that's one of the efforts and, and Art went through that part. It is part of a government's matter for paper, the previous one. A lot of effort going into the question what is a meaningful change that has taken place and one third of the countries as Art mentioned eh show that \*\*\*\* at least one dimension there's been significant change one way or the other eh between the late 90s and until now.

So one can begin seeing it but careful with elevator economics for governments between last year or the last six months because they may not be meaningful change. Second, supplement that with very good judgment and codification of what Ngozi said. What are the current actions that are being taken because at least a, es, eh, it's a decent predictor at least of whether that's likely to continue and third and frankly an area we have all been impaired with in varying degrees to some institutions is political intelligence and I think we need to do much better in countries where a variety of political and other reasons it's not always a issue of, of capacity or caliber but eh but it may be some vested interest in terms of what's reported as well as to what's really going on in the country in terms of political intelligence which is also useful information.

Bottom line is a combination of very important qualitative information, what's happening on the ground now, which is a decent predictor, versus looking at meaningful transfer,

meaningful changes which also suggest with obvious probabilities what may be happening in the near future but you may want to.

Next Speaker: Ah just one thing very briefly to add to it and it was something I thought about much earlier when Ngozi was speaking about –

Next Speaker: \*\*\*\*.

Next Speaker: - you know how do you support reformers quickly. They also have to do recognize that there is a challenge in um from the perspective of, of donor institutions or from outsiders in the country of trying to distinguish at sort of very high frequencies between the reform plans and reform promises versus reform actions and I think in the past certainly the World Bank has been very guilty of you know accepting lots of reform projections that don't necessarily materialize just like many other projections don't materialize. So there is always that tension as well in, in trying to look at the deltas over very short horizons.

Next Speaker: Good. Thank you. Marianne last word on these –

Next Speaker: \*\*\*\*.

Next Speaker: - issues \*\*\*\*.

Next Speaker: Briefly. I mean just talking about –

Next Speaker: Yeah.

Next Speaker: Sustainable integrity is something I've been thinking about is you know for me sustainable integrity is this having credible information, functioning institutions and an engaged citizen, citizenry and I mean that brings into the you know good work of transferring to international on the ground with their various chapters. They need information to do their work. The local media will search, be able to report. So I mean it's – everyone here has a role to play in terms of improving cabinets and I think –

Next Speaker: Mmm hmm.

Next Speaker: - one has to be realistic about what um you can do as a information generator sitting in Washington that I believe passionately that information is eh accountability tool and that's really all we have sitting here.

**Steve Radelet:** Mmm hmm. That's great. Thank you. Ah thanks to all of you who stayed. We started with a large group. You guys are, are the ones. We kept you for a long time. There's a lot to talk about. I could stay longer but we won't do that. Thank you very much to the panel. Let me thank Sheila Herrling and Sarah Rose and Heather Haines who organized this and the Institute for International Economics. Thanks to all of you for coming.