

## *Chapter 1*

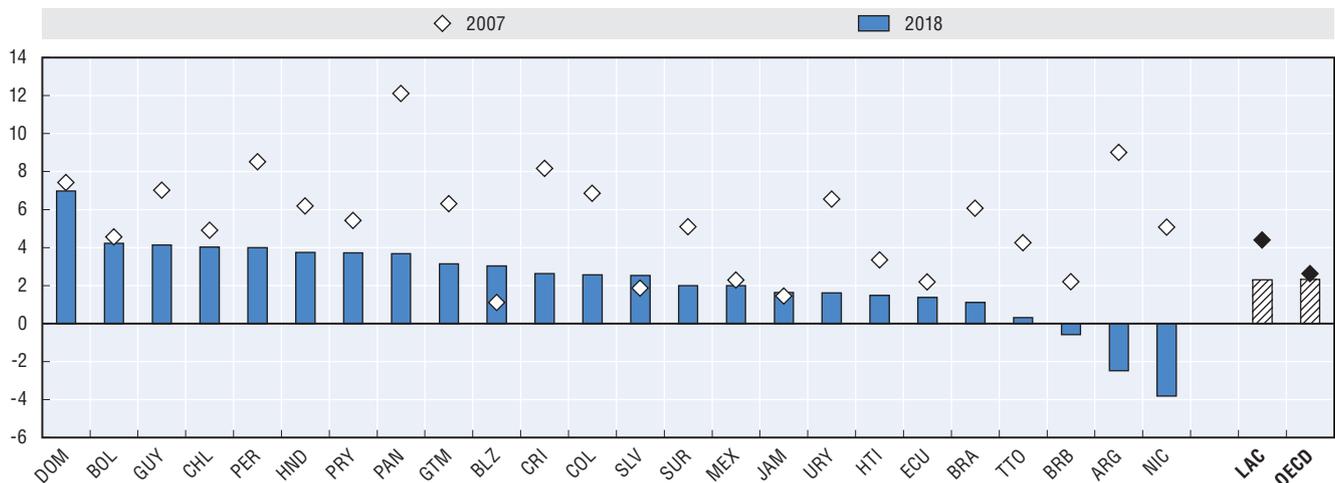
# **Good governance for Latin America and the Caribbean: Representing the interest of all**

## 1.1. Introduction

The economic boom, mostly driven by commodity prices and trade growth over the past decades, has helped to reduce poverty and to make progress in reducing inequality in Latin America and the Caribbean (LAC) (OECD et al., 2019<sup>[1]</sup>; OECD, 2019<sup>[2]</sup>). The boom led to increases in public spending, improvements in social protection, education and health services and the initiation of structural reforms. In turn, economic growth has spurred the emergence of a growing and vibrant middle-class, which today represents more than a third of the region's population. For the first time, the middle class is more numerous than the population living in poverty (OECD/CAF/UN ECLAC, 2018<sup>[3]</sup>). This trend also has raised expectations with respect to government performance. The interconnectedness and higher availability of information have sped up this process as people have greater awareness of how governments work and can express their views more easily.

Over the last five years, however, economic growth in the region has slowed. While in 2007 the gross domestic product (GDP) growth rate was on average 4.4% in LAC and 2.6% in OECD countries, it decreased to 2.3% in 2018, virtually identical to the value in OECD countries in 2018, thus eliminating the gap in the rate of growth between the two regions (Figure 1.1). As of 2019, however, the growth prospect is lower than expected, with low productivity growth across many LAC countries (OECD, 2019<sup>[2]</sup>). In addition, the region is extremely vulnerable to natural disasters. Under the current scenario, there will be no convergence in GDP between the region and OECD countries. More worryingly, it may endanger gains in economic inclusion. Indeed, a large part of the new middle-class is vulnerable to a deterioration of the economic situation and faces the risk of falling back into poverty (OECD/CAF/UN ECLAC, 2018<sup>[3]</sup>). The threat of popular disenchantment is now more real than ever, with an associated danger of diminishing trust and further lower compliance with taxes and regulations.

Figure 1.1. **Real GDP growth rates in Latin America and the Caribbean have decreased between 2007 and 2018**



Note: Data for 2018 in some countries refer to forecasts. For more information on country-specific notes, please see: <https://www.imf.org/external/pubs/ft/weo/2019/02/weodata/index.aspx>

Source: Data for the LAC countries: IMF, World Economic Outlook database (IMF WEO) (October 2019). Data for the OECD average: OECD National Accounts Statistics (database).

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Governments in the region have largely failed to take advantage of the opportunities offered by the economic boom to ensure that growth becomes sustainable and truly inclusive. Productivity has not significantly improved while inequality, despite economic progress, remains very high, whether measured in income or other well-being outcomes. Citizens, despite growing expectations and aspirations, see that governments are not responding to their increasing demands and are mostly dissatisfied with public services (see Chapter 11). Public investment represented only 1.6% of GDP in the region in 2017, around half of what has been invested on average in OECD countries. Overall, the access to and quality of public services varies widely and those who can afford it often opt out in favour of private providers (OECD/CAF/UN ECLAC, 2018<sup>[3]</sup>). Consequently, citizens are less committed in fulfilling their social obligations, such as paying taxes (OECD et al., 2019<sup>[1]</sup>). Furthermore, according to a survey from Latinobarometer 2018, 80% of citizens in the region believe that a few powerful groups are governing for their own benefit and the perception of corruption and impunity is high (Engel et al., 2018<sup>[4]</sup>). Such perceptions contribute to low trust in government in general, weaken support for reforms and may polarise citizens.

In particular, institutional weaknesses in several dimensions of public governance may explain the vulnerability of many countries in the region to inefficiencies caused by waste, misuse and capture by interest groups as well as to exogenous economic shocks. Analysis of government spending in the region reveals widespread waste and inefficiencies that could be as large as 4.4% of the region's GDP (IDB, 2018<sup>[5]</sup>). Two underlying problems are particularly relevant. First, politics matter. Inequalities in the region may have entrenched policy-making behaviours in favour of vested interests over public interest (OECD, 2018<sup>[6]</sup>; Engel et al., 2018<sup>[4]</sup>; Scartascini, Spiller and Stein, 2011<sup>[7]</sup>). Second, even when the right policies are introduced, their implementation often remains superficial, falling short of translating policies into practice and bringing about change. Causes can be informal norms overriding formal institutions, weak administrative capacity, resistance to effective implementation, solutions copied from another country without addressing the context, or a lack of adequately skilled workforce or leadership.

As an example, LAC countries face the pressing challenge to deepen the professionalisation of their civil service, both in the national and sub-national levels of government. Evidence portrayed in this publication shows that while the public sector in LAC countries tends to be comparatively small (12.3% of total employment compared to 21.2% in OECD countries), public employment in several LAC countries is not merit-based. In addition, public employment is usually comprised of low-skilled workers protected by strict contractual labour arrangements and managers appointed based on their political affinities. Many political leaders and parties in the region are using the public administration to build clientelist networks for electoral purposes (OECD, 2019<sup>[8]</sup>). As a result, while there is wide agreement on the necessity to reform the civil service, there are political interests in maintaining the status quo. For decision makers, the political costs may outweigh the political benefits of civil service reforms, thus impeding progress (Geddes, 1991<sup>[9]</sup>). This explains why reforms have proven difficult to implement while the problems are recognised and the policies to address them are broadly known.

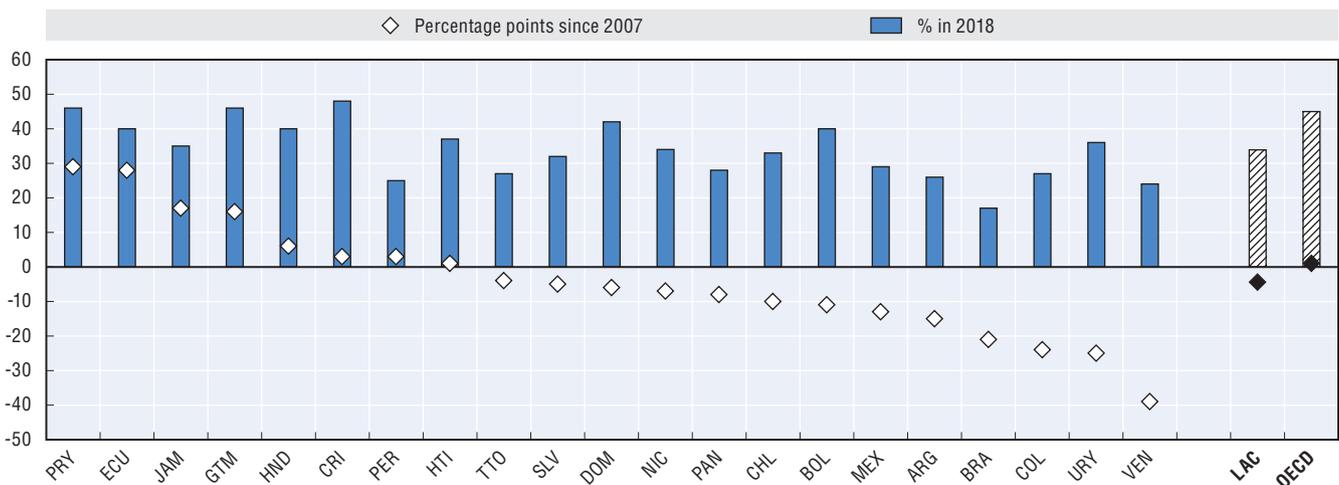
This chapter provides evidence on the relevance of sound public governance in optimising positive economic and social outcomes, especially emphasising the negative effects of corruption (Section 1.2). It then argues on the one hand for the need of continued efforts to strengthen institutions in LAC to ensure that public policies are **designed** to address public interests and needs around the core principles of public governance: transparency, participation, accountability and integrity (Section 1.3). On the other hand, countries must warrant that policies are **implemented** effectively and fairly. To achieve this, data and guidance show the way for governments on how to strengthen core government functions such as fostering policy coordination, simplifying administrative processes in service delivery, strengthening administrative and skills capacity both at the national and subnational levels, reinforcing public procurement and investment, ensuring internal and external accountability and promoting a

merit-based civil service with public sector values (Section 1.4). Improving the institutional design of policies and their implementation is of paramount relevance to provide better public services to citizens, build trust in government and enhance social inclusion in the region.

## 1.2. Why public governance, and in particular integrity, matters

Trust is one of the most important foundations upon which the legitimacy and sustainability of a democratic system is built. It is key for ensuring compliance with the law in general, and especially with regulations and the tax system (Rothstein, 2011<sup>[10]</sup>; Rose-Ackerman, n.d.<sup>[11]</sup>). Trust in government is essential for social cohesion and well-being, including reducing inequality, as it affects government's ability to implement reforms. According to the Gallup World Poll, on average trust levels in governments in LAC reached 33.9% in 2018, 4.4 p.p. lower than in 2007, and below the OECD average of 45% (Figure 1.2). On average, younger generations report lower trust in government than older ones (33.1% of those aged 15-29 compared to 40.1% of those aged 50 or more). Studies show that trust is influenced by many factors including approval of leadership, government openness, quality of services and perceived fairness (OECD, 2017<sup>[12]</sup>).

Figure 1.2. **Trust in national government in LAC countries remains lower than in OECD countries, 2007 and 2018**



Note: Percent of people reporting to have trust in national government. Unweighted averages for all variables for a sample of countries comprised of Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay and Venezuela.

Source: Gallup World Poll (2018)

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Evidence on the drivers of trust for OECD countries shows that public integrity and perception of corruption are the most crucial determinants of trust in government (Murtin, 2018<sup>[13]</sup>); (OECD, 2019<sup>[14]</sup>). Indeed, while corruption is a phenomenon that is not limited to LAC countries, achievements in government outcomes in the fight against poverty, inequality and other areas have been overshadowed in the region by high-profile corruption cases and allegations generating negative socio-economic outcomes and widespread discontent.

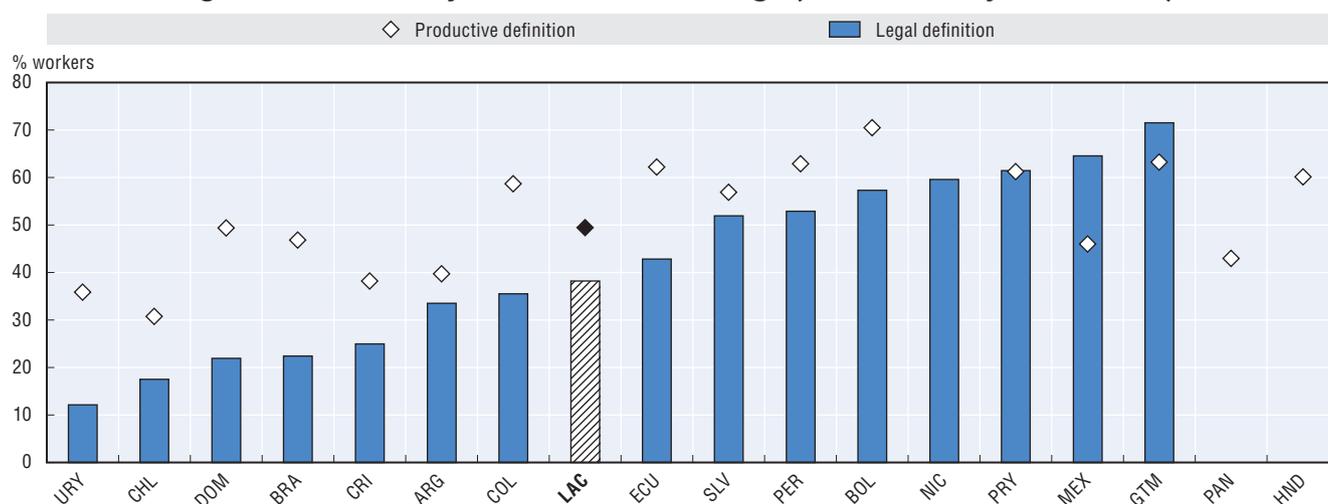
Corruption biases both public and private decisions and thus undermines productivity (OECD, 2019<sup>[2]</sup>). In LAC, productivity is mainly affected by a high degree of informality, and low competition and innovation.

- A symptom of widespread resource misallocation in the region includes the large size of the informal economy (OECD, 2016<sup>[15]</sup>) (Figure 1.3). The informal sector provides fewer opportunities for human capital accumulation and is less productive (La Porta and Shleifer, 2014<sup>[16]</sup>). In turn, indicators on

corruption and informality correlate strongly, but causality is not one-sided. Corruption in the formal economy provides incentives for firms to remain informal, while informal firms often need to bribe inspectors to avoid fines (OECD, 2018<sub>[6]</sub>).

- Bribery significantly slows down operations, delays productive investments and distorts firm growth in Latin America and the Caribbean, especially affecting low-revenue-generating and young firms. Companies that had to pay bribes, e.g. for permits, electricity, or water connections, have 23 % lower annual sales growth than firms that do not face such solicitations. (Şeker and Yang, 2014<sub>[17]</sub>).
- Making Latin America's institutional framework and business climate more conducive to competition, trade and investment can help bridge the large gap in productivity levels in relation to advanced economies (OECD, 2016<sub>[15]</sub>). However, corruption and policy capture are tools used by companies to avoid competition in the first place; corruption is antithetical to competition (Emerson, 2006<sub>[18]</sub>).

Figure 1.3. Informality in LAC countries is high (2017 or latest year available)



Note: Legal definition: a worker is considered informal if (s) he does not have the right to a pension when retired, for cross country comparability rates are calculated for wage and salary workers only. Productive definition: a worker is considered informal if (s) he is a salaried worker in a small firm, a non-professional self-employed, or a zero-income worker. LAC is the average of the 17 countries included in the chart. Data of Argentina are only representative of urban areas and wage workers. Data from 2017 or latest year available, but not earlier than 2014.

Source: Calculated from CEDLAS tabulations, accessed on 9 July 2018.

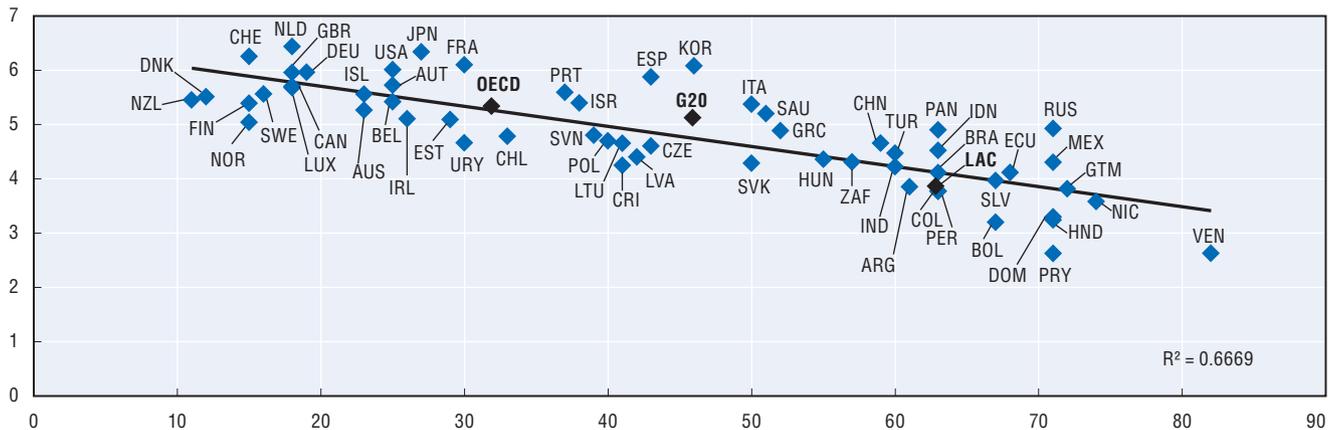
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Evidence shows a strong connection between perceived corruption and low quality of human capital and infrastructure, as well as limited innovation capacity (Figure 1.4, Figure 1.5, Figure 1.6).

- Latin American countries invest less in research and development (R&D) than OECD countries. Brazil is the only Latin American country that spends more than 1 % of GDP on R&D, with about half of that coming from the business sector (OECD, 2016<sub>[16]</sub>). Costs of bureaucracy and the time it takes to obtain a patent, as well as the lack of guarantees that these patents will be protected and enforced, are barriers for investing in innovation. In addition, companies may prefer to gain rents by avoiding competition through legal protection rather than by gaining a competitive edge through innovations. Consequently, companies invest more in unproductive rent seeking activities and less into R&D.
- Despite improvements in education outcomes, many Latin American countries still lag behind the OECD.; On average, a 15-year-old student in LAC is 3 years behind in reading, mathematics, and science of a student in the OECD (OECD, 2019<sub>[19]</sub>). Corruption in education – but also in the health sector – can have indirect impacts on productivity, as they can affect workers' health and skills and thus the productivity of human capital (OECD, 2015<sub>[19]</sub>).
- Public investment as a share of GDP in LAC countries reached 1.6% in 2017 below the OECD average of 3.1%. Despite recent efforts in several countries to update their stock of infrastructure in quest of

economic development, infrastructure investment is still insufficient as the key driver of economic growth. Regulatory and financing issues, macroeconomic volatility and difficulties to implement infrastructure policies alongside high-level corruption scandals affecting key infrastructure projects are among the main causes explaining the infrastructure gap in LAC in terms of both quantity and quality (Locatelli et al., 2017<sup>[20]</sup>; Bitran, Nieto-Parra and Robledo, 2013<sup>[21]</sup>)

Figure 1.4. Perceived levels of corruption come with lower quality of infrastructure in OECD, LAC and G20 countries, 2017-18

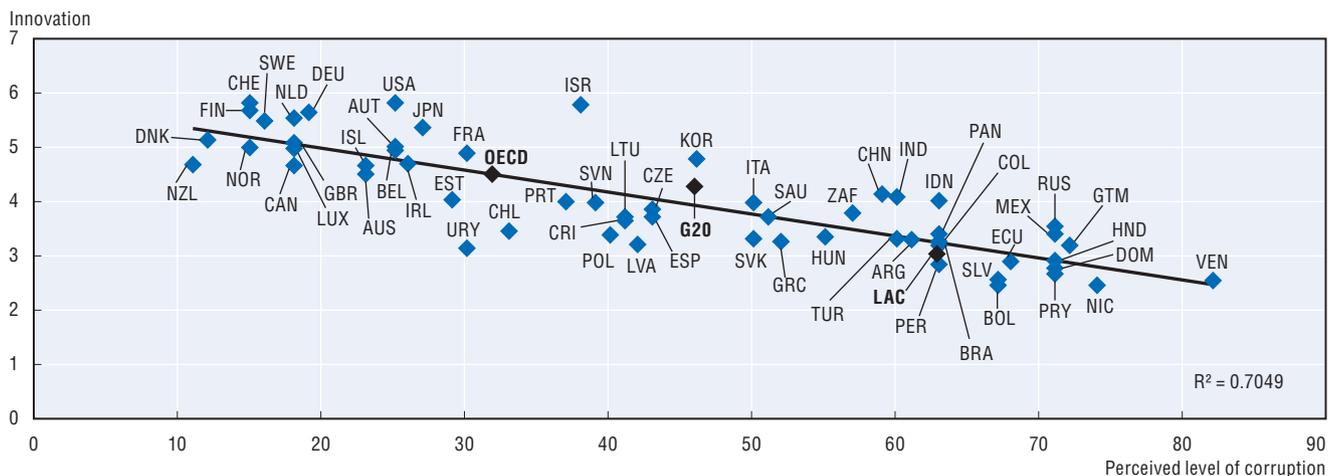


Note: Perceived level of corruption is measured by the Corruption Perception Index from Transparency International that has been inverted to facilitate interpretation of results as level of corruption (the higher the score, the higher the level of perceived corruption). Data on infrastructure are taken from the World Economic Forum’s Global Competitiveness Report 2017-2018. “Infrastructure” is an index constructed based on the indicators “Quality of overall infrastructure”, “Quality of roads”, “Quality of railroad infrastructure”, “Quality of port infrastructure” and “Quality of air transport infrastructure”. Data for Bolivia are taken from the Global Competitiveness Report 2016-2017. In this analysis G20 countries are also included.

Source: Transparency International 2017 and World Economic Forum 2017-2018

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Figure 1.5. Higher levels of corruption lower incentives to invest in innovation in OECD, LAC and G20 countries (2017-18)



Note: Perceived level of corruption is measured by the Corruption Perception Index from Transparency International that has been inverted to facilitate interpretation of results as level of corruption (the higher the score, the higher the level of perceived corruption). Data on innovation are taken from the World Economic Forum’s Global Competitiveness Report 2017-2018. In this analysis G20 countries are also included.

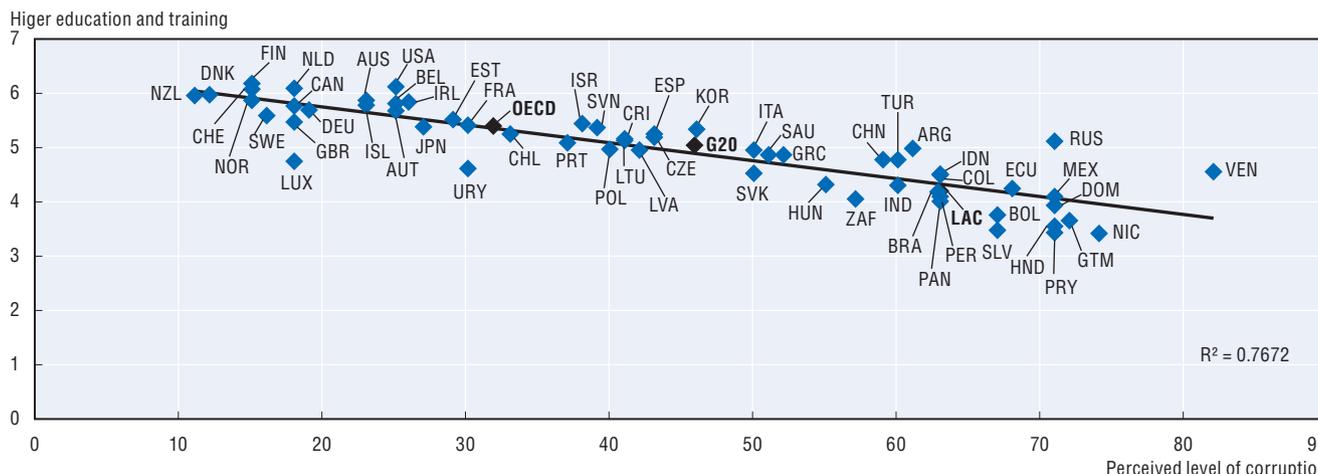
Source: Transparency International 2017 and WEF’s Global Competitiveness Report 2017-2018.

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In addition, corrupt practices in public service delivery directly affect citizens. Figure 1.7 shows that the citizens in the region need to pay bribes to gain access to a wide variety of public services. Corruption at this level is not limited to money; a practice referred to as “sextortion”, for example, refers to the abuse of power to obtain a sexual benefit or advantage. In the 18 countries surveyed

by Transparency International’s Global Corruption Barometer 2019, one in five people experienced sexual extortion or knows someone who has (Figure 1.8). Such extortion of sexual favours usually is linked to the access of public services, such as health and education, or in the process of seeking employment. Informal payments and sextortion to obtain public services are likely to affect the most vulnerable citizens, which contributes to the vicious cycle between weak governance and inequalities.

Figure 1.6. **Corruption affects productivity of human capital in OECD, LAC and G20 countries (2017-18)**



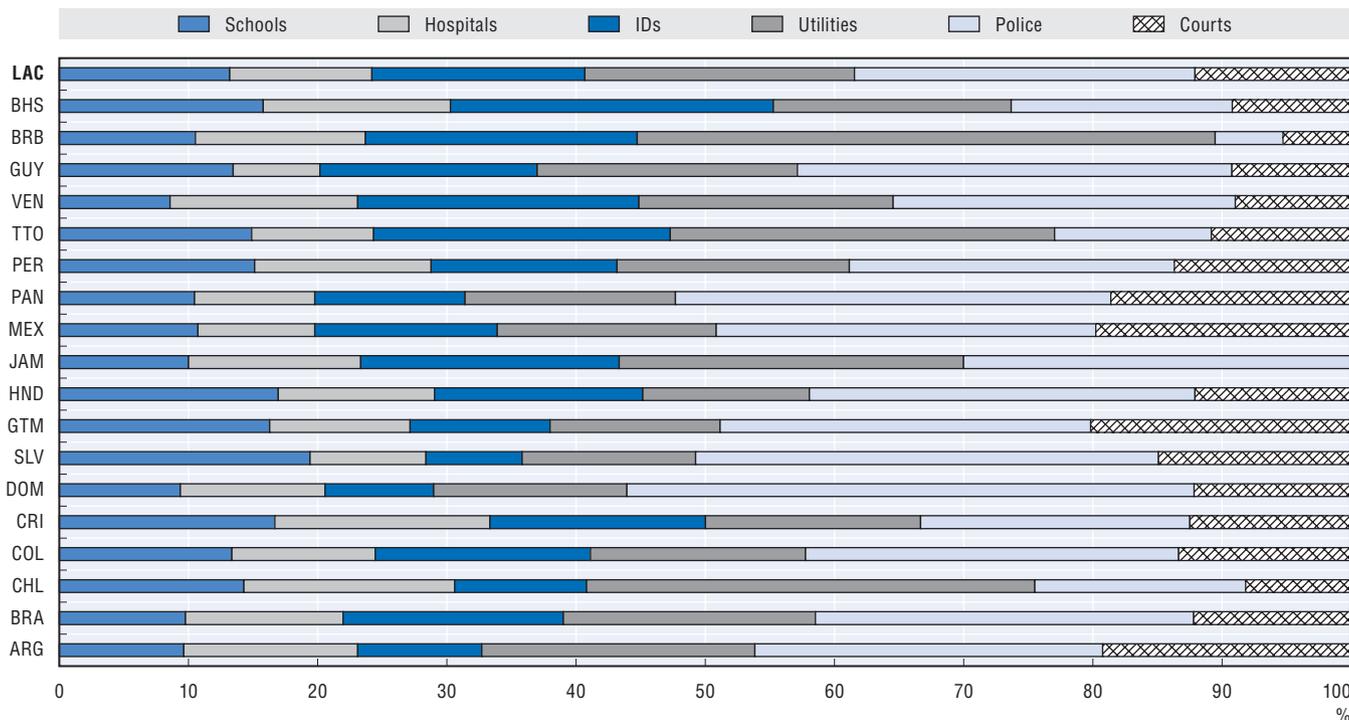
Note: Perceived level of corruption is measured by the Corruption Perception Index from Transparency International that has been inverted to facilitate interpretation of results as level of corruption (the higher the score, the higher the level of perceived corruption). Data on education and training are taken from the World Economic Forum’s Global Competitiveness Report 2017-2018. In this analysis G20 countries are also included.

Source: Transparency International 2017 and WEF’s Global Competitiveness Report 2017-2018.

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Figure 1.7. **Bribes paid by citizens in Latin America to obtain public services, 2019**

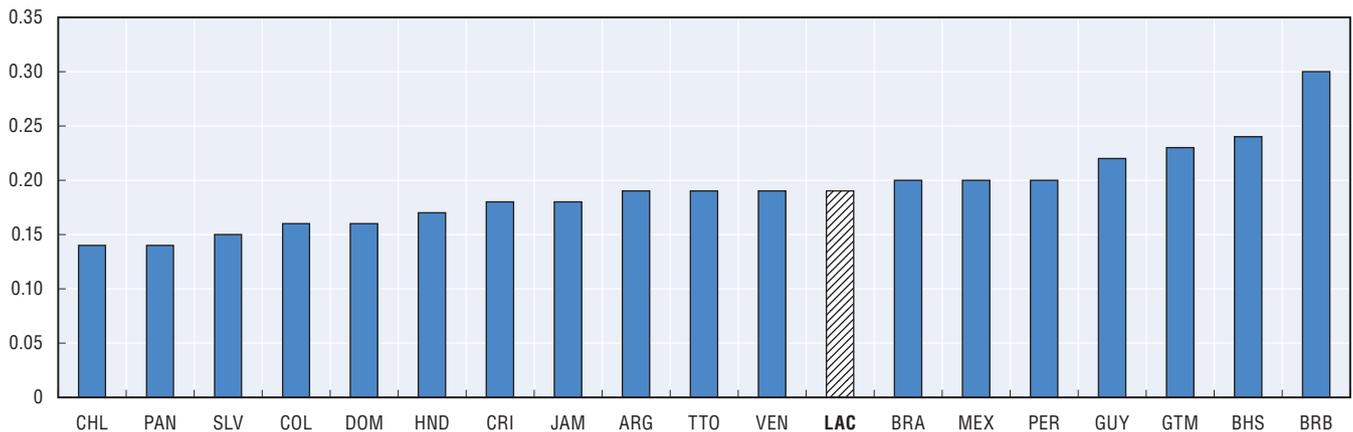
Did you have to pay a bribe, give a gift or provide a favour for the following services?



Source: Global Corruption Barometer Latin America 2019.

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Figure 1.8. Experiences with extortion of sexual favours in Latin America, 2019



Source: Transparency International Global Corruption Barometer 2019.

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Finally, government expenditures in LAC countries represented on average 31.2% of GDP in 2018, considerably less than in OECD countries (40.4% of GDP on average). Moreover, the expenditure breakdown reveals several differences in how the money is spent. The most salient difference relates to expenditures on social benefits, defined as payments directly linked to the welfare function of governments. As a share of GDP, OECD governments spend 16.5% on social benefits, compared to 10.3% in LAC countries. A further breakdown of government expenditures shows that on average, 39% of expenditures in the LAC region are devoted to government consumption, which is the compensation of government employees plus the purchases of goods and services by the government, compared to 37% for OECD countries. These transactions present a high risk of being captured by vested interests, either through the establishment of clientelist networks or through the procurement process.

### 1.3. Ensuring integrity and social accountability of public decision-making

Trust in government and the protection of public interest are essential for citizens to engage and participate in the political process. The perception of undue influence can threaten the dynamics of incremental change (Bauhr and Grimes, 2014<sup>[22]</sup>).

Essential policies to ensure public decision-making in the public interest at all levels of the public administration include promoting integrity and transparency in political finance and election processes, regulating the legitimate participation and lobbying in policy-making, and promoting social accountability through transparency, openness and access to information as well as participation mechanisms for citizens.

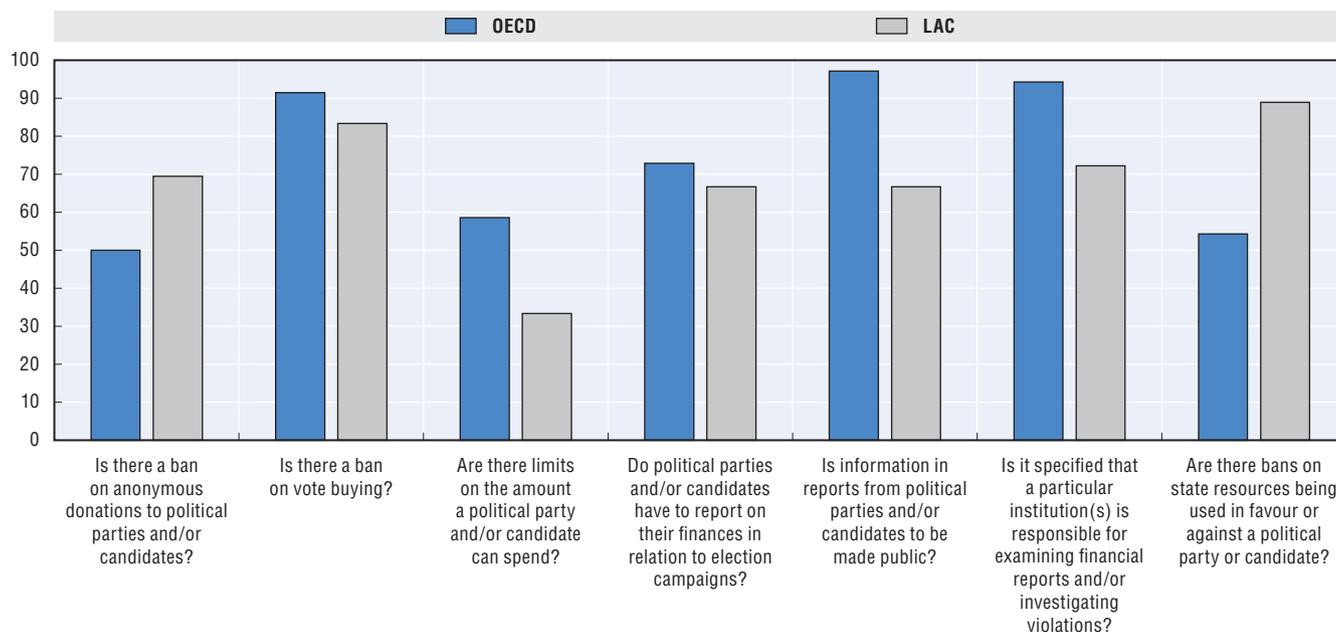
#### *Integrity and transparency in political finance and elections*

Often, undue influence starts with influencing the results of elections to ensure that the elected public officials, once they are in office, represent the interests of those who supported them (The Dialogue and IDB, 2019<sup>[23]</sup>; OECD, 2017<sup>[24]</sup>). For example, elected politicians may have to return favours to those who supported them through campaign contributions by providing them with public contracts, e.g. infrastructure projects, subsidies, or public employment, for example, through “bureaucratic quotas” in the public administration (OECD, 2016<sup>[25]</sup>).

Political finance is strongly regulated in the LAC region. In general, the *de jure* quality of political finance regulation has improved in Latin America; it is sometimes even stronger than in OECD countries (Figure 1.9).

Figure 1.9. **Selected relevant aspects of political finance regulations in OECD and LAC countries, 2016**

Answers show percentage of “yes” answers



Note: Questions asked for candidates and parties separately have been summed and averaged

Source: Based on data from the International Institute for Democracy and Electoral Assistance (International IDEA), <https://www.idea.int/>

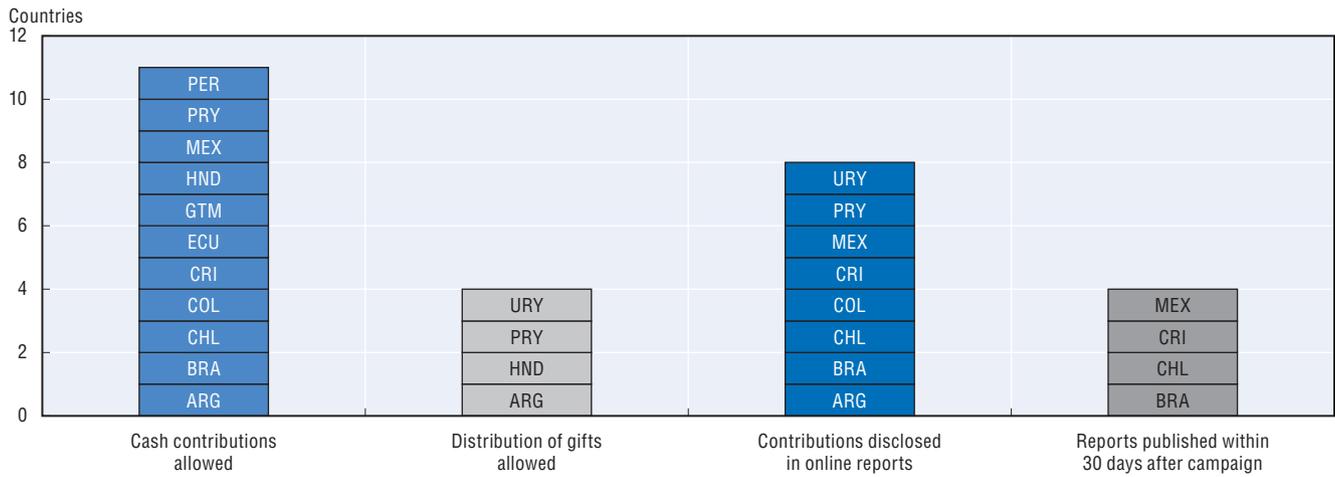
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Overall, however, existing regulations often fail to be effectively enforced (The Dialogue and IDB, 2019<sup>[23]</sup>; OECD, 2018<sup>[26]</sup>; OECD, 2017<sup>[27]</sup>) and only one third of the population reported trusting the judiciary compared to 56% in OECD countries. An indication of this lack of effectiveness is that the *de jure* quality of political finance regulations only manages to impact on corruption if judicial independence is high and thus able to ensure the enforcement of these, and other, regulations (Lopez, Rodriguez and Valentini, 2017<sup>[28]</sup>). According to a study carried out by Global Integrity, in the region there is a gap of around 20 % regarding scores measuring the *de jure* regulatory framework (65) and its enforcement (45) (Global Integrity, Sunlight Foundation, 2015<sup>[29]</sup>).

OECD data show the wide use of informal practices that are not covered by current regulations, opening opportunities to unduly influence campaigns. For example, while most countries in the region forbid anonymous donations and political parties are required to reveal the identity of donors, contributions in cash are allowed in 92% and gifts in 25% of the countries. Cash contributions may be used to circumvent formal regulations, due to the complications associated with monitoring such transactions. In addition, in some countries, organised crime groups can prosper and operate with impunity by infiltrating and corrupting political institutions. On the one hand, they can launder money by financing parties or candidates in cash; on the other, they can make sure that elected officials are turning a blind eye on their activities or, in case of detection, ensure weak enforcement (Casas-Zamora, 2013<sup>[30]</sup>). Only 58% of the countries have requirements to disclose contributions online, and 33% require such data to be published within 30 days after the campaign (Figure 1.10).

Such practices are partly triggered by pressures to fund campaigns. Indeed, regulations on campaign spending by political parties or candidates are less widespread than in OECD countries. This lack of regulations with respect to spending can trigger a competition towards ever-higher expenses and thus pressure to obtain more and more funds – yielding the risk of being more inclined to accept funds from dubious sources.

Figure 1.10. **Most Latin American and the Caribbean countries allow cash contributions during electoral campaigns, 2018**



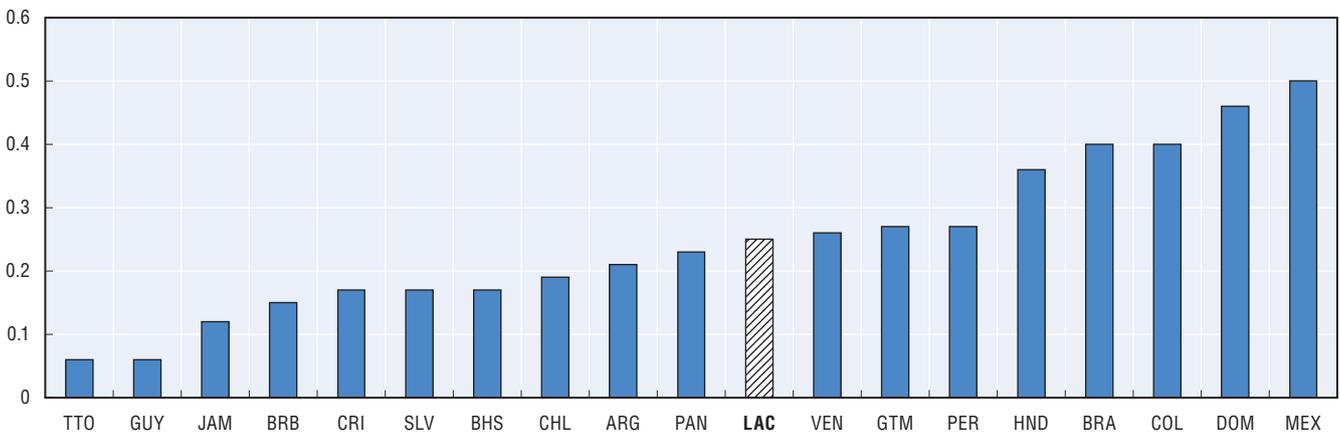
Source: OECD (2018) "OECD Questionnaire on Public Integrity in Latin America"

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Electoral integrity is also threatened by straightforward vote-buying practices. According to Transparency International's Global Corruption Barometer 2019, 25% of Latin-Americans report having experienced attempts to buy their votes (Figure 1.11). Interviewed experts in the region think most major parties reward their constituents with goods, cash or jobs (V-DEM Project, 2017<sup>[31]</sup>). These practices are endemic in the region, but particularly high in Mexico, the Dominican Republic, Colombia, Brazil and Honduras. In these countries, vote-buying is actually prohibited, while Argentina, Guatemala and Venezuela currently do not explicitly prohibit vote-buying.

Figure 1.11. **On average, 25% of citizens in Latin America have experienced vote-buying practices, 2019**

In the past 5 years, how many times, if at all, has anyone tried to offer you a bribe or special favour to vote in a particular way at a national, regional or local election?



Source: Transparency International, Global Corruption Barometer, 2019

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### Ensuring integrity and transparency in lobbying practices

A second way to influence policies is to target public decision-makers that are already in office, whether in the legislative or in the public administration. Influencing policymakers is a core part of a democratic system. Lobbyists and advocacy groups bring valuable information to the policy debate. In

practice, however, small powerful groups can exert influence to further their own priorities, often at the expense of the public interest. This influence is not necessarily illegal, and can take many forms, including:

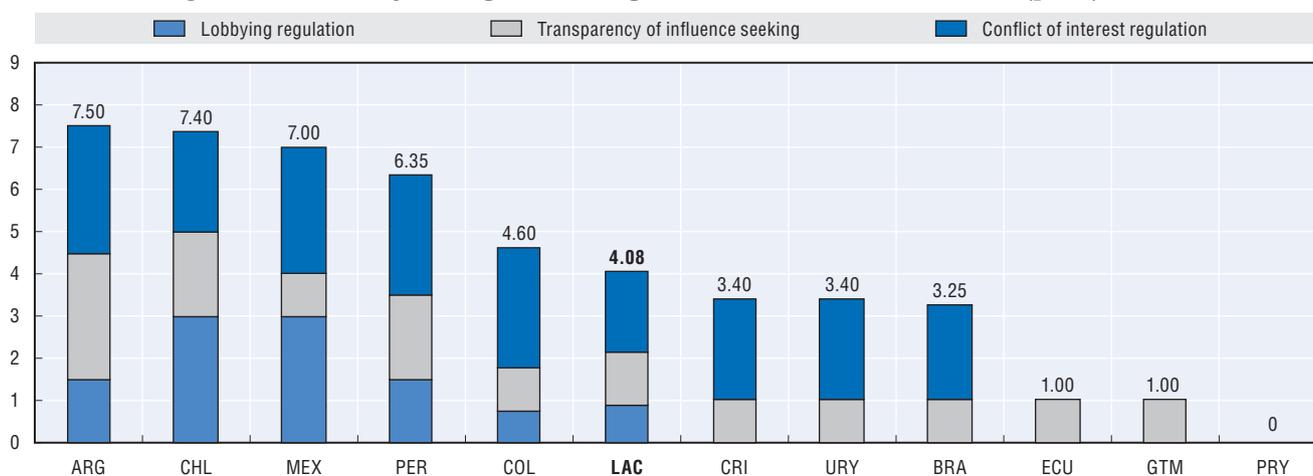
- uneven access to the decision-making process for example through lobbying public officials
- informal financing of political parties and candidates' electoral campaigns
- providing governments with manipulated or fraudulent data
- use of personal connections, leading to conflicts of interest
- foreign interests buying their way into a country's domestic policies.

When such uses of influence steer the decision-making process away from the public interest, societies suffer. As such, sound frameworks for transparency and integrity in lobbying, for the internal governance of interest representation institutions, and for stakeholder engagement are crucial to safeguarding the public interest and promoting a level playing field for different interests, promoting pluralism and thereby avoiding capture by powerful interest groups (OECD, 2007<sup>[32]</sup>; OECD, 2015<sup>[33]</sup>; OECD, 2017<sup>[34]</sup>).

Lobbying regulations are only emerging in most LAC countries. Peru was the pioneer of the region in developing legislation on lobbying in 2003. In addition to Peru, only Chile (2014), Mexico (2010) and Argentina (2003) have adopted laws or regulations on lobbying. In Mexico, the regulation only applies to the legislative branch, while in Argentina only the executive branch is covered but a draft law revising the regulation is under discussion in the congress (OECD, 2018<sup>[26]</sup>). Chile has been continuously drawing lessons learnt from its experience with the aim to improve their lobbying framework. In Brazil, Colombia and Costa Rica there are ongoing discussions and draft legislations have been prepared.

The OECD *Quality of Regulations Against Undue Influence Index* measures the existence and reach of such *lobbying regulations*, and goes further by taking into account the *transparency of influence seeking* and the *regulation on conflicts of interest*, which add to the overall resilience against undue influence (Figure 1.12). Argentina, Chile and Mexico show the strongest regulations against undue influence overall.

Figure 1.12. **Quality of Regulations against Undue Influence Index (pilot), 2018**



Source: OECD (2018) "OECD Questionnaire on Public Integrity in Latin America"

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To further strengthen these frameworks, LAC countries may consider a number of potential ways to better embed their engagement with stakeholders in the rule-making process and make it more open, transparent and effective (OECD, 2018<sup>[6]</sup>). For instance, countries could evaluate whether the

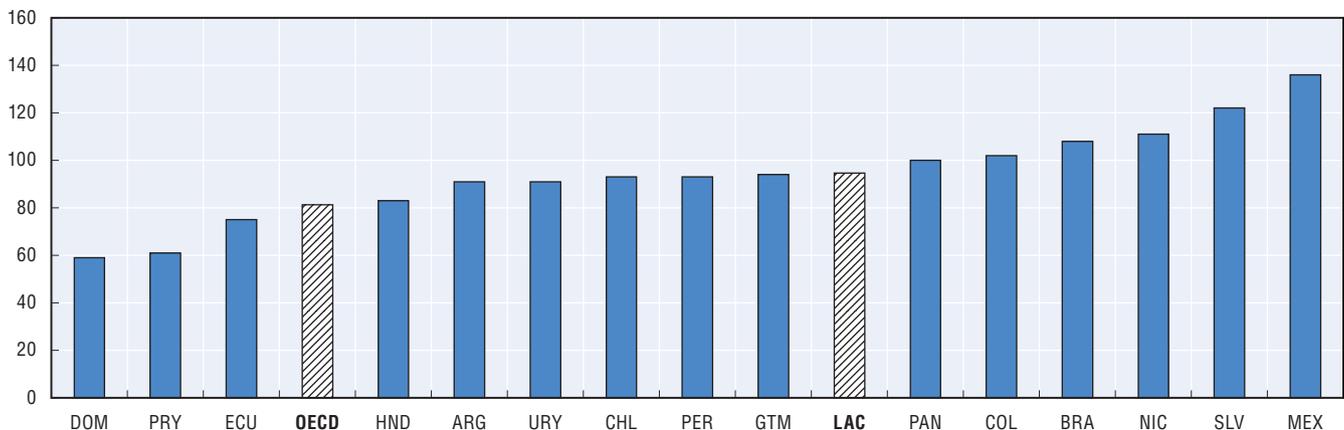
definition of lobbyists and lobbying are comprehensive enough to ensure that misinterpretations or loopholes are avoided. Countries could make information easily available, and in a re-usable way, on who is lobbying and is being lobbied, and on whose behalf, the issues involved in lobbying activities and the intended result of lobbying activities. In addition, the enforcement of the lobbying regulations needs to be strengthened and sanctions applied to public officials and lobbyists. Awareness-raising campaigns could initiate a change in culture and perception and create an environment in which formal lobbying regulations could start making sense and the widespread informal lobbying practices become an exception rather than the rule.

### **Enabling social accountability through transparency, openness and participation**

Social accountability ensures that people's voices are being heard and that they can hold governments to account for their conduct and performance. It is a key ingredient for governments to restore citizens' trust. A first precondition for social accountability is the promotion of transparency and access to information. Transparency can, of course, also be useful in enhancing efficiency in the use and allocation of public resources in sectors, such as education, justice and the extractive industries, and in functions, such as public budget formulation, execution and monitoring, and political campaign financing, among other sectors (Molina and Vieyra, 2012<sup>[35]</sup>). Finally, available information and data can be used to promote dialogue, public engagement and consensus building or as an input to integrity risk management and detection, using new technologies such as artificial intelligence, machine learning, or big data (OECD, 2019<sup>[36]</sup>).

The link between transparency and corruption, however, is not direct and is empirically contested (Islam, 2006<sup>[37]</sup>; Escaleras, Lin and Register, 2010<sup>[38]</sup>). In Latin America, actually, the *de jure* quality of right to information laws is on average stronger than in OECD countries (Figure 1.13).

**Figure 1.13. The quality of right to information laws is, on average, better in LAC than in OECD countries, latest available year**



Note: The maximum achievable composite score is 150 and reflects a strong right to information legal framework. The global rating of right to information laws is composed of 61 indicators measuring 7 dimensions: right of access; scope; requesting procedures; exceptions and refusals; appeals; sanctions and protection; and promotional measures.

Source: Access Info Europe (AIE) and the Centre for Law and Democracy (CLD), Right to Information Rating, <https://www.rti-rating.org/>.

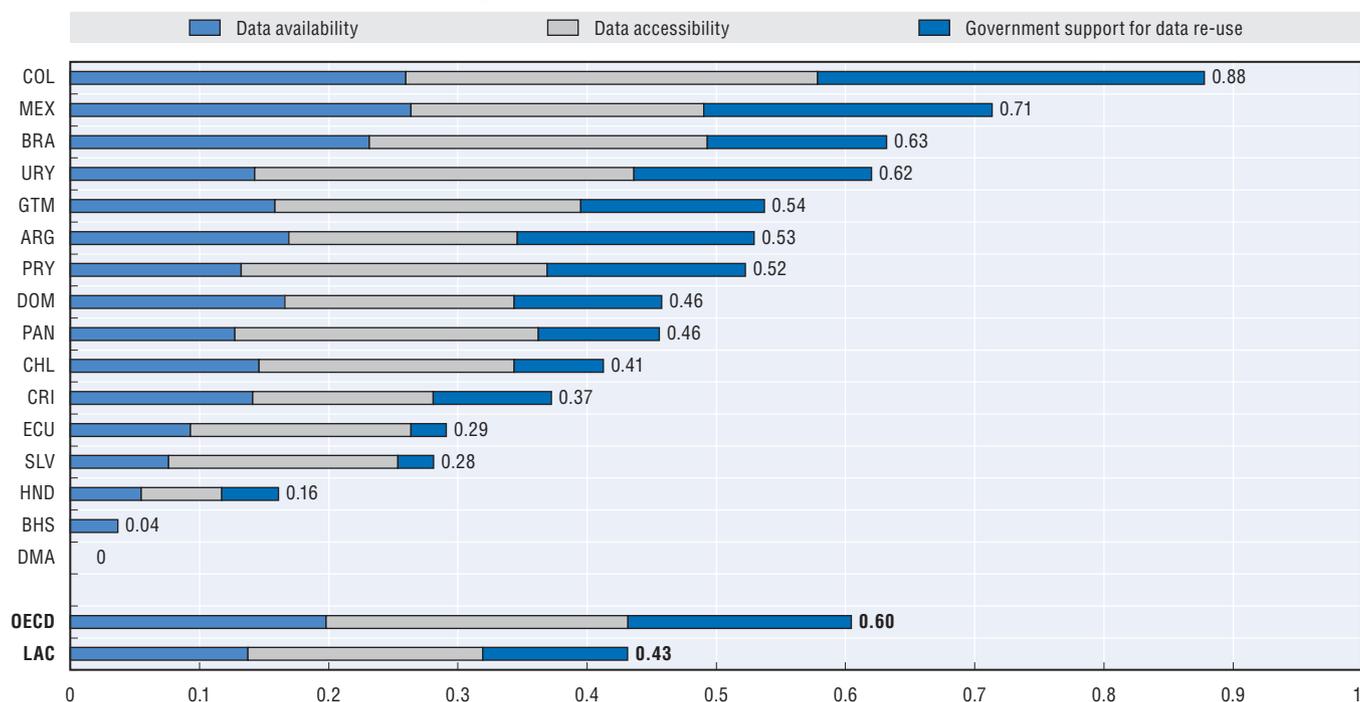
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Yet, citizens in Latin America often do not trust or simply do not know how to engage and how to obtain relevant and credible information (OECD, 2018<sup>[26]</sup>). In addition, the information may fail to be comprehensible, being too complex or technical, and the receivers of the information may fail to act upon that information for various reasons (Molina and Vieyra, 2012<sup>[35]</sup>). Transparency is a necessary, yet not sufficient condition for ensuring good governance and preventing corruption. In addition, there needs to be an ability to process the information, and the ability and incentives to act on the

processed information (Kolstad and Wiig, 2009<sub>[39]</sub>). Given the profound lack of trust in government, transparency may even backfire and lead to resignation instead of indignation (Bauhr and Grimes, 2014<sub>[22]</sub>). In part, this is also due to the high inequality in the region, which deepens the participation and engagement problem. As such, the effect of providing information per se seems to be limited at best and transparency needs to be complemented by other types of policies, such as those promoting open data (OECD, 2018<sub>[40]</sub>). It also requires the existence of interest and capacities across the whole set of actors, including civil society, to use available information and open data (Mungiu-Pippidi, 2013<sub>[41]</sub>).

As such, the second precondition for social accountability is to actively consult and engage civil society, for example by securing a release of data that meets users' demand. When government data are easily available and re-usable, they can generate greater interaction and enable co-creation opportunities between government institutions, citizens and other stakeholders such as academics or civil society organisations. Indeed, there is growing awareness of the need to ensure the effective re-use of open government data to secure long-term sustainability and continuity of open data initiatives and policies. The OECD Open, Useful and Re-usable data (OURdata) Index measures data availability, data accessibility and government support to the re-use. On average, LAC countries scored 0.43, in comparison to an OECD average of 0.60 in 2019; Colombia (0.88), Mexico (0.71) and Brazil (0.63) scored higher than the OECD average (0.60).

Figure 1.14. **Colombia, Mexico, Brazil and Uruguay are the most advanced LAC countries in open government data (OURData Index, 2019)**



Source: OECD – IDB (2019), “Open Government Data Survey”, OECD (2018) “Open Government Data Survey”

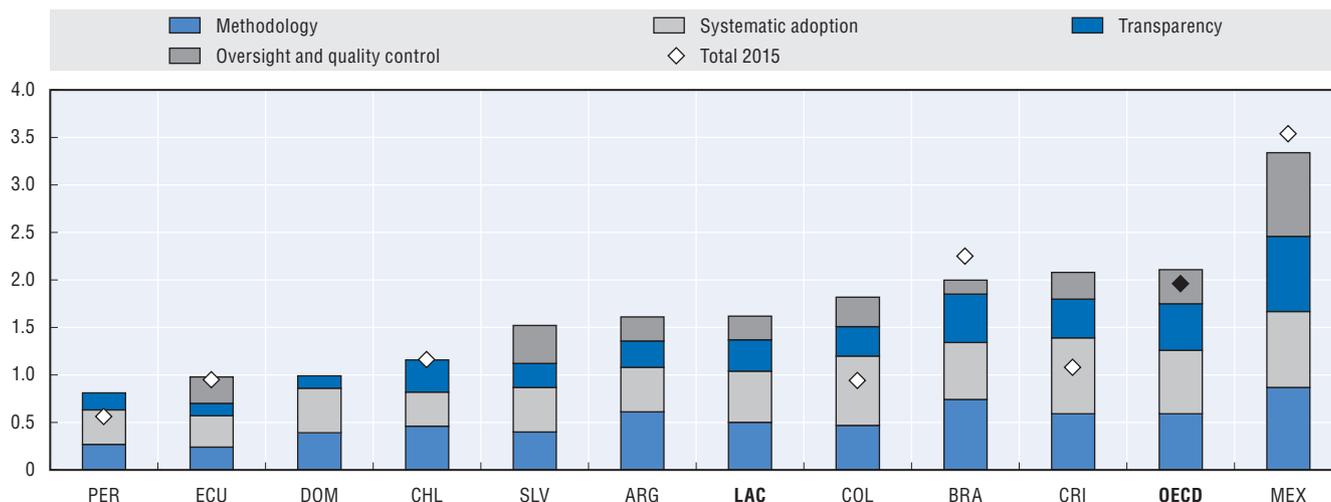
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In particular, ensuring the inclusive and fair participation of different interests in public decision-making processes is a key tool against policy capture: an inclusive process involving different interests is more likely to be resistant to the risk of a single interest capturing the process (OECD, 2017<sub>[24]</sub>).

Countries in Latin America are at different stages of adopting good practices to engage with interested parties when developing regulations and lag behind the OECD average. Only Mexico has established advanced consultation systems and scores above or around the OECD average on the composite indicator on stakeholder engagement (Figure 1.15). However, all countries covered have

taken some steps to integrate stakeholder engagement in their rule-making process. For example, they have adopted formal requirements to conduct consultation when developing subordinate regulations. Countries have also established, to varying degrees, methodologies to engage with stakeholders, including minimum periods and supporting documentation for consultation.

Figure 1.15. **Stakeholder engagement in developing subordinate regulations varies strongly across LAC countries (2015 and 2019)**



Sources: OECD Indicators of Regulatory Policy and Governance (iREG) for Latin America 2016 and 2019, OECD Indicators of Regulatory Policy and Governance (iREG) 2015 and 2018, <http://www.oecd.org/gov/regulatory-policy/ireg-lac.htm> and <http://oe.cd/ireg>.

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Nonetheless, consultation in LAC countries often takes place when the decision to regulate has been taken and/or a draft regulation has already been prepared. In some cases, consultation takes place only shortly before the planned entry into force, leaving very limited time to take stakeholders' views into consideration and to potentially revise the regulatory proposal (Querbach and Arndt, 2017<sup>[42]</sup>). In addition, the existing mechanisms for stakeholder participation sometimes are not well known by citizens or not trusted enough to generate a credible level playing field. Finally, deeper engagement requires an approach that recognises the gaps and difficulties posed by inequality, lack of trust and political apathy, as well as the challenge of involving citizens outside the capitals.

Box 1.1 provides an example of how transparency and stakeholder engagement processes together can contribute to increasing social accountability in budget process.

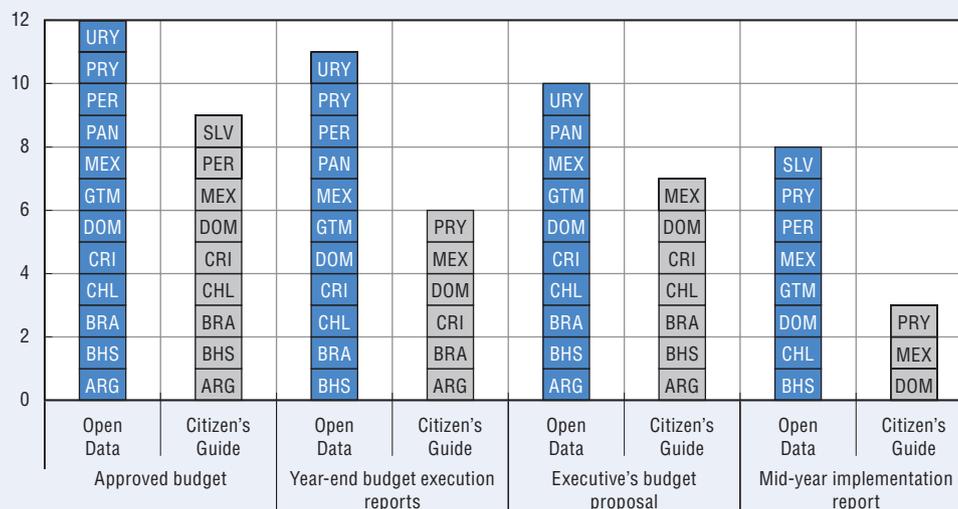
### Box 1.1 Budget transparency and stakeholder engagement

Promoting budget transparency and providing spaces for direct citizen engagement in budget development is vital to ensure integrity and accountability in public governance. Budget transparency goes beyond having all relevant budgetary information disclosed in a timely and systematic manner. It is a multi-faceted concept that refers to the clarity, comprehensiveness, reliability, timeliness, accessibility and usability of public reporting on public finances (OECD, 2017<sup>[43]</sup>).

The information included in the executive budget is increasing among LAC countries. Releasing budgetary information in open data formats and publishing citizens' guides to the budget allow stakeholders to access and understand key fiscal information. However, according to survey results, the practice of releasing fiscal information as open data is more widespread in LAC than the production of citizens' guides.

## Box 1.1 Budget transparency and stakeholder engagement (cont.)

Figure 1.16. Means of availability and transparency of key budgetary information, 2018



Source: OECD/IDB (2018) Survey of Budget Practices and Procedures

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In turn, 11 out of 13 surveyed LAC countries reported having consultations with stakeholders at some stage of the budgetary process (all except Argentina and Panama). All of them consult at the pre-budget proposal phase, and eight of them after the budget proposal (all except for Chile, Costa Rica and El Salvador). Participative budgeting, in turn, is more common at the local level and is implemented in several large cities in LAC. However, just as in OECD countries, at the central/federal level, participative budgeting initiatives are still rare. Only 5 out of 13 surveyed LAC countries have implemented such initiatives (OECD, 2017<sup>[43]</sup>).

#### 1.4. Sound public management for effective implementation

Even in an environment where policy capture is endemic and vested interests dominate policy-making there are windows of opportunities and agents of change. Reforms that promote transparency and stakeholder engagement have allowed more inclusive policies in some areas and even small but visible progress can trigger an incremental path towards better governance (Banerjee and Duflo, 2012<sup>[44]</sup>).

Therefore, while countries must continue to make efforts to ensure that policies are designed according to the needs and interests of the citizens, they also must warrant that policies are effectively and fairly implemented. Sound public management is indeed a key ingredient to achieving an effective implementation and ultimately impact in achieving desired governance outcomes and better public service delivery.

As such, governments need to continue working on strengthening core government functions such as fostering policy coordination, strengthening administrative capacity and skills, notably in sub-national and local governments, simplifying administrative processes in service delivery, reinforcing public procurement and investment, ensuring internal and external accountability and promoting a merit-based civil service with values.

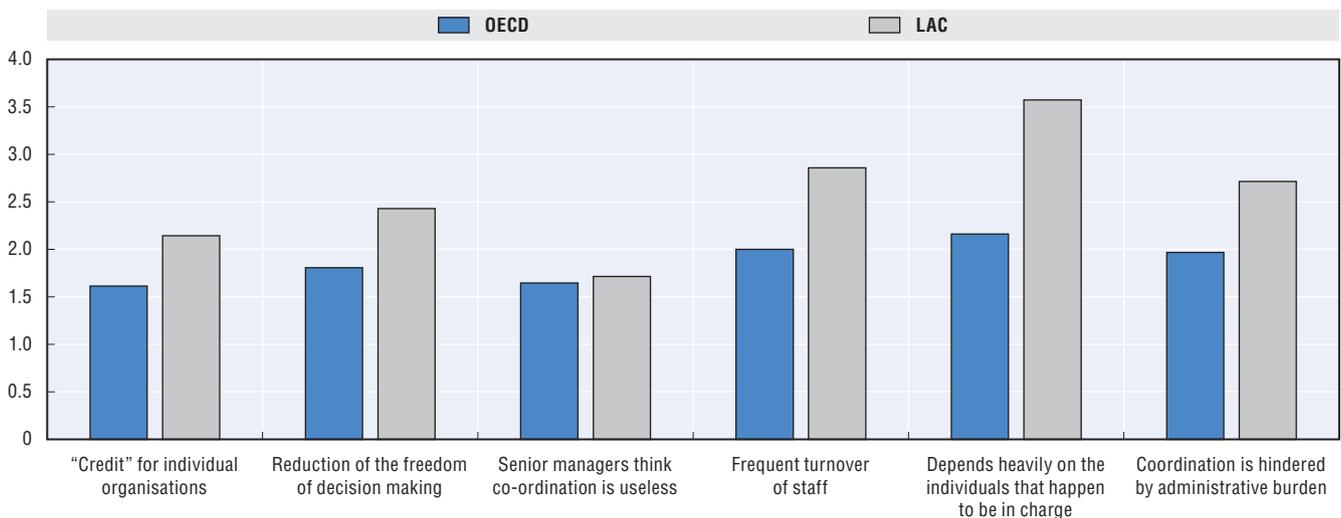
##### *Implementing governance reforms: The challenge of co-ordination*

The key governance principles of transparency, participation, accountability and integrity are crosscutting issues and contribute to ensure that other policy goals are achieved and that policies are inclusive and in the public interest. However, cross-cutting issues face challenges with respect to co-ordination and implementation.

First, challenges related to co-ordination arise because multiple actors are typically involved in the policy design and implementation of transparency, participation, accountability and integrity policies. Formal and/or informal mechanisms for co-operation and co-ordination between the actors help to avoid fragmentation, overlap and gaps and ultimately to ensure the coherence and the impact of these policies. Clear institutional responsibilities for designing, leading and implementing the elements of the policy are key to ensure an effective implementation of policies and normative requirements. The responsibilities should of course come along with the mandate, resources and capacities to fulfil them effectively.

Second, co-ordination weaknesses at the centre of government, and weak coordination capacity between levels of government, make the mainstreaming and effective implementation of integrity policies throughout all public entities difficult (OECD, 2017<sup>[45]</sup>). Figure 1.17 shows that compared to OECD countries, more LAC countries identify that the quality of co-ordination depends more on the individuals that happen to be in place. This reflects solutions to co-ordination that are less institutionalised, and thus less sustainable. In addition, co-ordination is hindered by administrative burden, that is, the need to seek approval from heads of the actors involved before being able to agree to inter-organisational goals. Finally, the frequent staff turn-over typical in most countries of the region threatens co-ordination as it undermines continuity, the building of trust and institutional memory.

**Figure 1.17. With respect to integrity policies, LAC countries perceive that the quality of co-ordination depends heavily on the individuals in place, 2017**



Notes: Responses to the question: "In your experience, what are the main challenges related to an effective coordination at the central level?". 1 = not a challenge, 2 = somewhat of a challenge, 3 = a moderate challenge, 4 = severe challenge. The LAC countries included in the OECD Integrity Survey are: Argentina, Brazil, Chile, Colombia, Mexico and Peru.

Source: OECD (2016<sup>[54]</sup>), *Government at a Glance: Latin America and the Caribbean 2017*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264265554-en>.

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As an answer to the co-ordination challenge, some countries, such as Chile, Colombia, Mexico and Peru, have established formal integrity systems or commissions where key actors meet regularly (OECD, 2017<sup>[46]</sup>; OECD, 2017<sup>[47]</sup>). Other countries implemented coordination units located at the centre of government, while Costa Rica have opted for a more informal approach (OECD, 2019<sup>[8]</sup>). Informal arrangements may have the advantage of allowing for more flexibility, but they are also more prone to disappear with changes in governments and depend to a higher degree on the individual motivations of the actors involved. Whatever the arrangement chosen, a dialogue is relevant for integrity policies and all key actors of the integrity system should be part of it.

In OECD and LAC countries, the centre of government (CoG), (also known as the office of the president, cabinet office, general secretariat of the government, among others), refers to the organisations and units that serve the chief executive and is expected to play a key role in ensuring consistent policy implementation across the government. While its tasks differ among countries, in

8 out of 14 Latin America and Caribbean countries the centre of government has responsibility for policy co-ordination (compared to 24 out of 34 OECD countries). At the same time, the centre of government in LAC countries is not generally responsible of strategic planning (only in 5 out of 14 countries, compared to 20 out of 34 in OECD), and transition planning and management for the change of governments (5 out of 13 in LAC compared to 21 out of 34 in OECD).

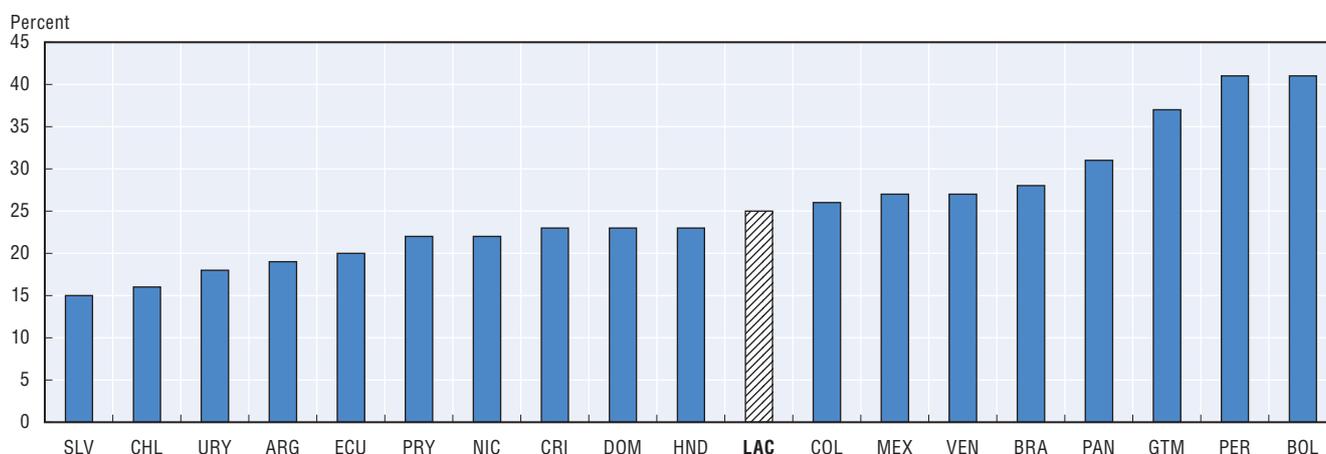
Finally, policy coordination should be ensured with all levels of government, although reaching the subnational level can be particularly daunting in many LAC countries. Sub-national administrative capacity is a common challenge, exacerbated in many LAC countries by acute regional disparities in sub-national capacity. Opportunities for certain types of corruption can be more pronounced at the subnational level where the interactions between government authorities and citizens and firms are more frequent and direct (OECD, 2019<sup>[8]</sup>; OECD, 2018<sup>[6]</sup>). In many countries in the region, subnational governments are responsible for the delivery of a large share of public services, such as education, health, security/justice, waste management, utilities, granting licences and permits. Policy coordination across levels of government is necessary to ensure alignment of policy objectives, adequate human and financial resources to lower levels of government also to upgrade skills, strengthening quality of local institutions and subsidiarity of processes.

As such, strengthening sub-national capacity to deliver services and manage relations with citizens effectively and with integrity is key to ensure the implementation of governance policies that ultimately could contribute to strengthening and sustaining trust in government and to bolstering support for democratic institutions. Indeed, local governments can be drivers for innovation, economic development and productivity and can also play a key role in promoting social capital. The subnational level may then set an example for (re-)building trust and fighting threats, such as corruption or organised crime.

### **Administrative processes for better service delivery**

Administrative burden, also known as red tape or, in Latin America, *tramitología*, reduces the efficiency of public service delivery, and contributes to distrust from citizens and entrepreneurs Figure 1.18. It also provides incentives to both citizens and entrepreneurs to pay bribes to speed up administrative processes (Roseth, Reyes and Santiso, 2018<sup>[48]</sup>). These processes include many day-to-day activities, formalities and procedures that are vital to access the health and education systems (birth certificate, ID card, etc.), participate in the labour market (social security/fiscal numbers), and start-up or sustain business activity (clearing imports at customs, obtaining a driving licence, getting a construction permit/business licence). Many of these public services are delivered at the subnational level, where capacities can be limited and processes more vulnerable to corrupt practices.

Figure 1.18. **On average, 25% of administrative procedures in LAC countries require three or more interactions to be resolved, 2017 and 2018**

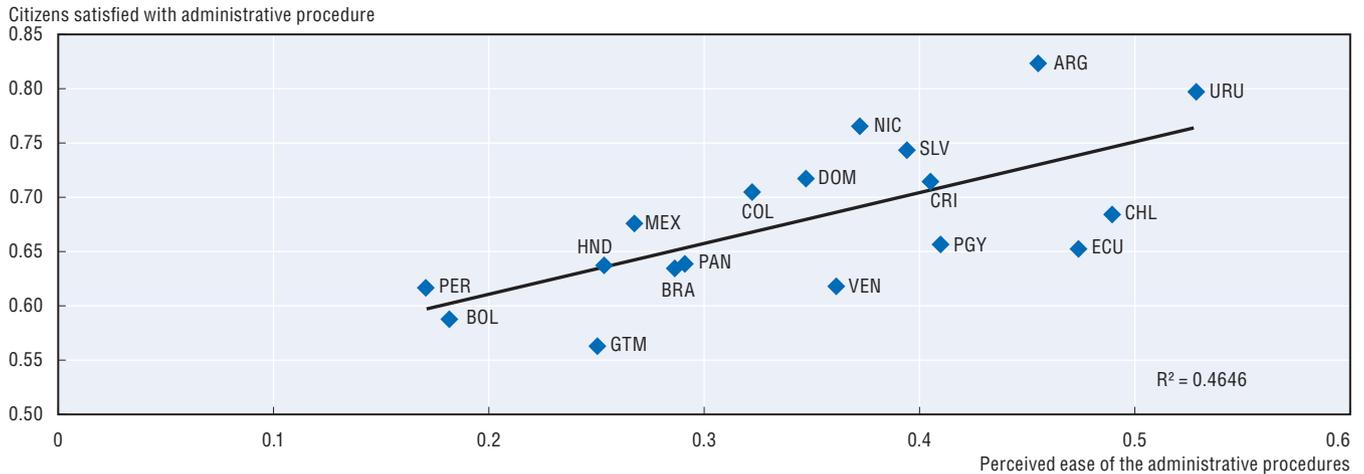


Source: (Roseth, Reyes and Santiso, 2018<sup>[48]</sup>) and Latinobarometro 2017.

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Both citizens and the private sector reward leaders who are able to reduce administrative and regulatory burdens. These visible results and political benefits can well be the incentive to bear the costs of reforms aimed at reducing red tape in the first place (Figure 1.19).

Figure 1.19. **The easier the administrative procedures, the more satisfied the citizens (2017 or 2018)**

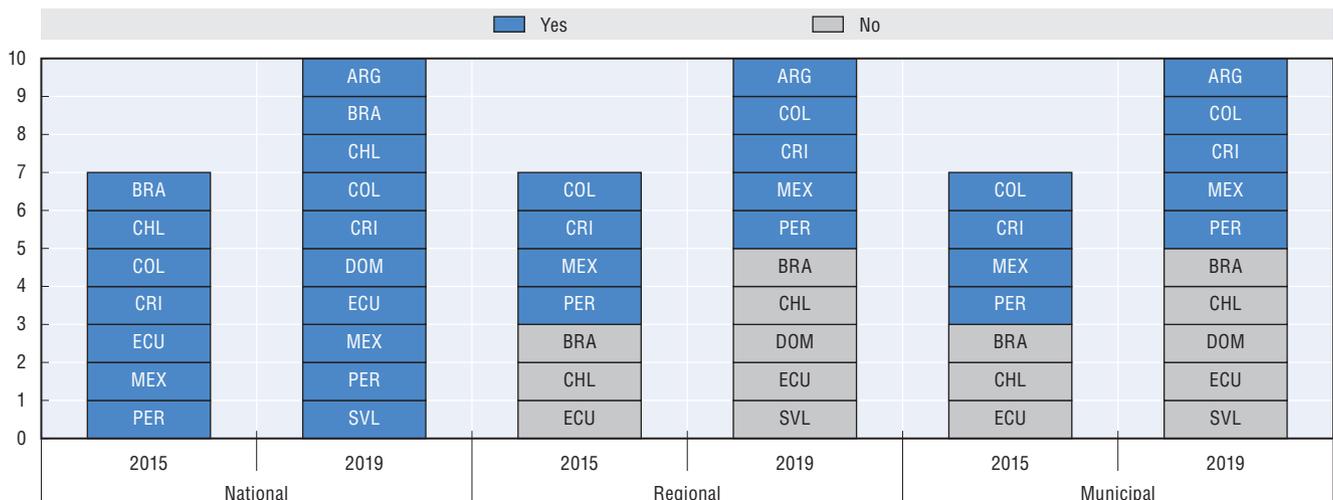


Source: (Roseth, Reyes and Santiso, 2018<sub>[48]</sub>) and Latinobarometro 2017.

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Most countries in the region have taken steps to simplify and improve their administrative processes, mostly at the national level, however (see Figure 1.20 and Chapter 7.). In Costa Rica, for instance, several institutions at different levels of government were involved in a process to simplify prioritised procedures to facilitate construction and operation permits. In 2014, the Chilean government set up the *Tu empresa en un día* (“Your Business in One Day”) programme destined to facilitate the start-up of new businesses through an online platform. In addition, countries have also made efforts to harmonise all existing formalities and administrative procedures and make them easily accessible online, e.g. through the use of the Single Text of Administrative Procedure in Peru (*TUPA*). As part of the RD+ Simple initiative, the Dominican Republic launched a website for citizens and businesses to report on regulations or administrative processes that are burdensome and could be simplified. Argentina and Brazil have similar websites.

Figure 1.20. **Most Central governments in LAC countries have introduced simplification in administrative processes, 2016 and 2019**



Source: OECD Indicators of Regulatory Policy and Governance (iREG) for Latin America 2016 and 2019, <http://www.oecd.org/gov/regulatory-policy/ireg-lac.htm>.

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Digital government efforts across LAC countries have played a key role in terms of reducing administrative burdens imposed on citizens and innovating the way services to citizens are designed. For instance, in Mexico, the Coordination of the National Digital Strategy (a body within the Office of the President), in co-ordination with authorities at the state level, developed the On-line Birth Certificate service (*Tu acta de nacimiento en línea*). This enabled citizens to access and download a copy of their birth certificate with legal validity from anywhere 24/7. Before the launch of this on-line service, Mexican citizens had to physically go to their birthplace (often not the state or municipality of their current residence) to request a copy of their original certificate and wait weeks for the copy to be issued by the respective authority. The service was launched in January 2018 and has led to roughly 1.53 million of downloads with a level of satisfaction of 93%, according to figures provided by the Mexican government (OECD, 2020<sub>[49]</sub>). This reduced the risk of petty corruption resulting from the direct interaction between citizens and public servants, and sped up formalities while bringing more convenient services to citizens.

However, administrative simplification programmes in the LAC region often do not systematically target the most burdensome areas of regulation. Methodological guidance on administrative simplification is available in some countries, but in many cases, administrative simplification is carried out on an ad hoc basis without clear target areas or prior engagement with stakeholders. One noticeable example of an administrative burden reduction programme is that of Ecuador where the Unit for Regulatory Improvement and Control is currently assisting the National Transport Agency in its efforts to measure administrative burdens in the transport sector, and to develop a simplification programme (Querbach and Arndt, 2017<sub>[42]</sub>).

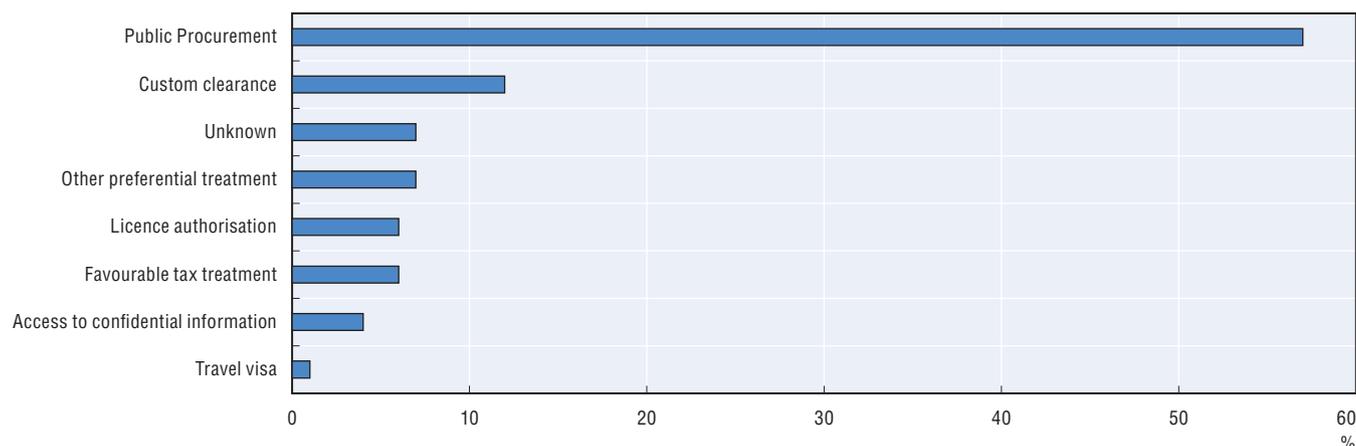
Also, digital technologies in Latin America are not fully capitalised by public sector institutions to transform how the administrations functions and interacts with the society, and efforts are focused on digitising existing formalities and internal processes rather than transforming them. The input of key partners such as citizens and civil society organisations is often limited to consultation efforts leaving behind the relevance of user engagement across the whole service design and delivery cycle. New technologies, such as open government data, are still driven by a strong focus on open data publication rather than emphasising its re-use of data for value creation (OECD, 2018<sub>[50]</sub>).

### **Public procurement and infrastructure**

Public procurement, referring to the purchase by governments and state-owned enterprises of goods, services and/or works, represents an important economic activity of governments. A large sum of taxpayers' money is spent on public procurement in order to perform the tasks of government and deliver on their mandates. Public procurement must ensure the correct and timely delivery of goods and services while safeguarding the use of public resources against the risks of waste, misuse and corruption.

The economic significance is clear when looking at the size of public procurement in terms of GDP. In 2017, public procurement represented 6% of GDP in the LAC region, compared to 6.7% in 2007. At the country level, it ranged from 3.6% in Mexico to 9.9% in Peru. Considering its significant size, governments carry out public procurement reforms in order to achieve efficiency gains to respond to fiscal pressure, as well as to use this important function as a strategic governance tool to achieve policy objectives. At the same time, the large sum of money and close interaction between the public and private sectors make public procurement one of the government activities the most prone to risks of waste, misuse and corruption. Indeed, public procurement is by far the most common purpose of bribes in foreign bribery cases (Figure 1.21). Large, one-off infrastructure projects and public-private partnerships are particularly prone to capture and corruption due to their high degree of complexity (Locatelli et al., 2017<sub>[20]</sub>).

Figure 1.21. **The most common purpose of foreign bribery is influencing public procurement, 2014**



Source: OECD (2014<sup>[51]</sup>), *OECD Foreign Bribery Report: An Analysis of the Crime of Bribery of Foreign Public Officials*, OECD Publishing, Paris, <http://www.oecd.org/corruption/oecd-foreign-bribery-report-9789264226616-en.htm>.

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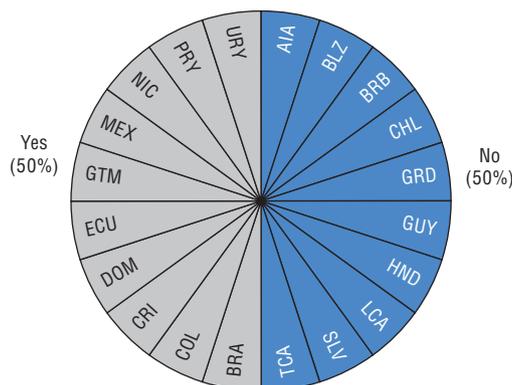
In Latin America, corruption in public procurement and infrastructure projects often has its root causes in the political sphere (The Dialogue and IDB, 2019<sup>[23]</sup>). Private companies typically finance candidates who then, once in office, return favours by rewarding their supporters with public contracts, e.g. through direct contracting. In fact, such awards might be perfectly legal in some countries. In this area, rewards may also include eluding or manipulating procurement procedures. As such, actions taken to promote integrity and transparency in political finance, campaigns and election processes directly contribute to mitigating corruption risks in public procurement and infrastructure projects (OECD, 2018<sup>[6]</sup>). The lack of registries or mechanisms to identify ultimate beneficial ownership in most countries in the region makes it very difficult to determine if the firms winning public contracts are not actually owned by government officials or their partners.

There has been significant progress in the region towards enabling better accountability and mitigating corruption risks in public procurement systems. In particular, some countries in Latin America have advanced in the implementation of e-procurement mechanisms that, amongst others, improves transparency and efficiency of public procurement and provide opportunities for mitigating corruption risks.

Examples include Compr.ar in Argentina, Compranet in Mexico, Mercado Público developed by ChileCompra in Chile, SECOP II managed by Colombia Compra Eficiente, or the Transparency Portal of the Federal Public Administration in Brazil, which beyond public procurement, provides real time access to information on budget execution. The platform run by ChileCompra has an online forum with questions and answers for each tender in advance of deadlines for submitting bids. The forum is particularly practical for providers who are geographically distant from the capital city, where ChileCompra's offices are located, and who need remote access to questions and answers. The forum ensures transparency and supports equitable treatment and fair competition.

The streamlining of public procurement into overall public financial management, budgeting and service delivery processes could lead to a better utilisation of public resources through improved information transmission, standardisation and automation. Eleven out of the 14 LAC countries that have established an e-procurement platform, have achieved some level of integration with other government systems, including: budgeting systems (8 countries), financial systems for payment (7 countries), tax registries (6 countries), social security databases (6 countries) and business registries (5 countries). Such an integration could also play an important role in promoting transparency and preventing corruption.

Figure 1.22. **E-procurement system(s) have been integrated with other e-government technologies in half of LAC countries, 2018**



Source: OECD-IDB (2018), Survey on Public Procurement

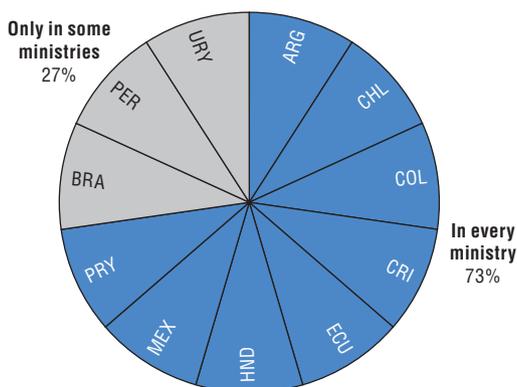
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### Internal and external accountability: Internal controls and external audit

Ensuring compliance with standards and regulations as well as achieving efficiently the results the government promised to deliver is the strategic role of the internal control system and external audit. As such, a solid internal and external control framework is the cornerstone of an organisation's defence against corruption and other unethical practices and key in achieving accountability and good governance.

On the one hand, an internal control and risk management framework can ensure a favourable control environment and a strategic approach to risk management that includes assessing integrity risks and addressing control weaknesses. All public officials should have a role within a functioning internal control system, which generally has three core elements: management, oversight and internal audit. Internal audit provides a professional, independent and objective appraisal function that uses a disciplined, evidence-based approach to assess and improve the effectiveness of risk management, control and governance processes. Internal audit may provide consulting, assurance, or a combination of both to inform key decisions and support good and accountable public governance. In Latin America, most surveyed countries have an internal audit function in place in every ministry (Figure 1.23) and all countries have regulations aimed at promoting an internal control framework.

Figure 1.23. **Existence of audit function in government ministries, 2018**



Source: OECD (2018) OECD Questionnaire on Public Integrity in Latin America

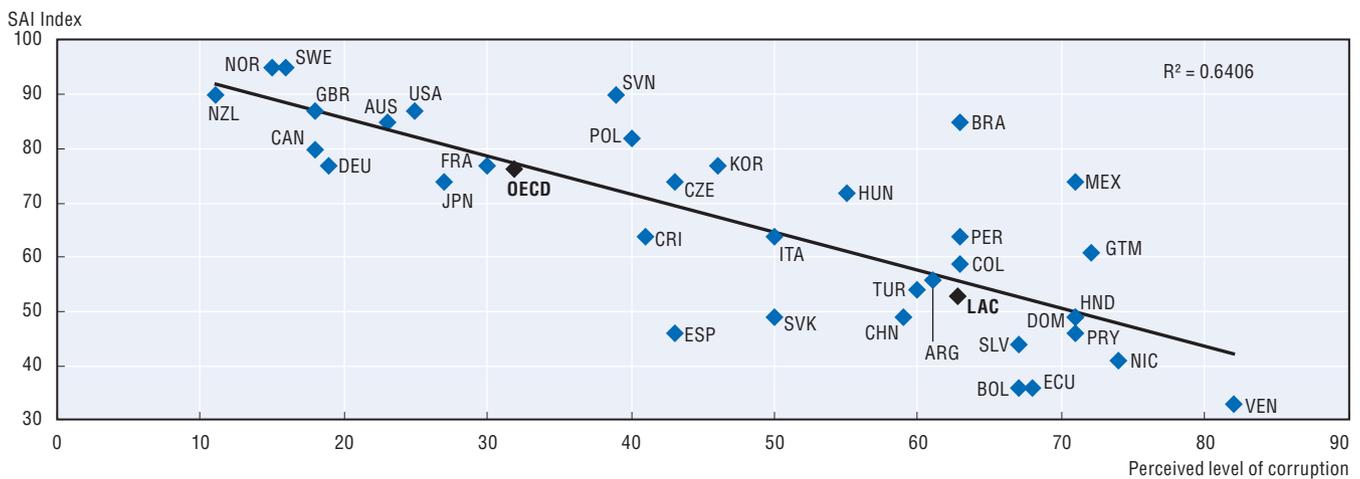
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However, countries in the region face the challenge of overcoming the gap between the normative framework of internal control, which in Latin America is generally advanced and complies with international standards and its practical implementation in the daily management of the public

entities. The independence and capacities of the internal audit function could be strengthened as well. In addition, for the effective implementation of risk management and internal audit policies, it is key that all public officials understand their own role and responsibility in identifying and managing integrity risks through adequate internal control (see Chapter 9).

On the other hand, supreme audit institutions (SAI), regulators and other external bodies that reside outside the organisation’s structure, can play an important role in the organisation’s overall governance and control structure. External oversight and audit reinforce public governance by overseeing and holding the government to account for its use of public resources, facilitating organisational learning and ensuring the impartial enforcement of laws and regulations. Figure 1.24 shows, for a sample of OECD and LAC countries, that countries with stronger SAIs indeed also exhibit lower levels of perceived corruption.

Figure 1.24. **Countries with stronger supreme audit institutions tend to experience lower levels of perceived corruption, OECD and LAC countries, 2017**



Note: Perceived level of corruption is measured by the Corruption Perception Index from Transparency International that has been inversed to facilitate interpretation of results as level of corruption (the higher the score, the higher the level of perceived corruption). The SAI Index (0 to 100) has been constructed based on the simple average of questions no. 98-102 and 118-124 of the Open Budget Survey 2017; higher scores reflect stronger SAI.

Source: Transparency International 2017, International Budget Partnership, Open Budget Survey 2017.

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However, the impact of external audit reports, and thus accountability, is seriously limited if the executive branch does not follow up on the recommendations. Figure 1.25 shows that with the exception of Brazil, LAC countries usually do not require the executive branch to publicly report on the steps it has taken to address audit findings.

Figure 1.25. **In Latin America and the Caribbean, only Brazil reports on steps taken to address findings from supreme audit institution audit reports, 2017**

Does the executive make available to the public a report on what steps it has taken to address audit recommendations or findings that indicate a need for remedial action?

	The executive reports publicly on what steps it has taken to address audit findings.	The executive reports publicly on most audit findings.	The executive reports publicly on some audit findings.	The executive does not report on steps it has taken to address audit findings.
<b>LAC</b>	BRA	-	-	ARG, BOL, CHL, COL, CRI, DOM, ECU, SLV, GTM, HND, MEX, NIC, PRY, PER, VEN
<b>OECD</b>	GBR, NOR, SWE	CAN, NZL, SVN, USA	AUS, PRT	FRA, DEU, ITA, ESP, CZE, HUN, JPN, POL, SVK, KOR, TUR

Source: International Budget Partnership, Open Budget Survey 2017.

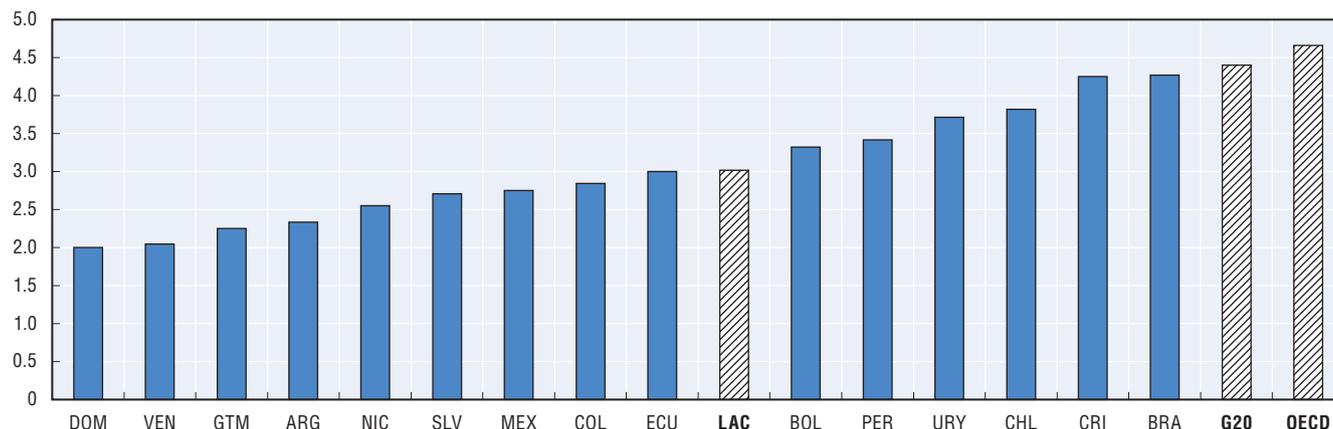
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## Public employment

The human dimension, that is, every single public official, is at the heart of public governance: it is public officials that eventually implement laws and procedures. As such, reinforcing the professionalism of public employees and the values that guide ethical behaviour are critical dimensions for a highly performing civil service (OECD, 2019<sub>[8]</sub>).

A merit-based civil service is a fundamental element of public governance. A professional civil service can reduce corruption risks and counterbalance clientelism (Dahlström, Lapuente and Teorell, 2012<sub>[52]</sub>). In most countries of the region, however, a high rotation in the civil service is the norm rather than the exception, favoured by its high dependency on political cycles. The Quality of Governance Expert Survey, a survey of experts on public administration, confirms the high degree of politicisation of the public administration in Latin America which is on average (3.0) perceived to be less professional than in the G20 (4.4) and OECD (4.6). Indeed, even the highest scoring countries, Brazil and Costa Rica, score below the G20 and OECD average (Figure 1.26).

Figure 1.26. **The civil service in LAC countries is considered less professional and more politicised on average than it is in the OECD and G20, 2015**



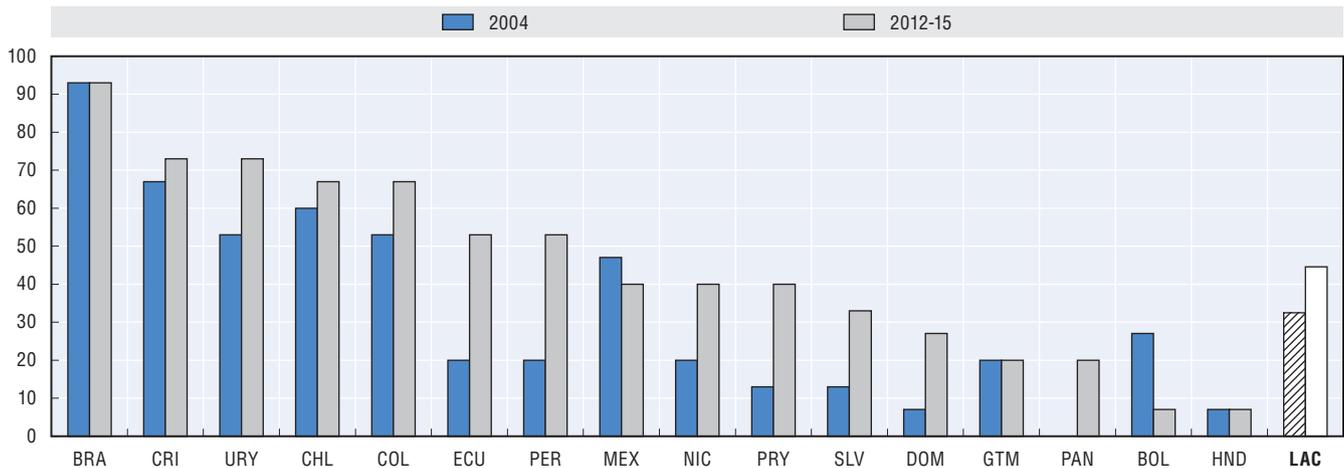
Note: The index measures to what extent the public administration is professional rather than politicised. Higher values indicate a more professionalised public administration. It is based on four questions from the survey: Thinking about the country you have chosen, how often would you say the following occurs today: When recruiting public sector employees, the skills and merits of the applicants decide who gets the job? When recruiting public sector employees, the political connections of the applicants decide who gets the job? The top political leadership hires and fires senior public officials? Senior public officials are recruited from within the ranks of the public sector? The scale for each question is 1-7 (from “hardly ever” to “almost always”). In this analysis G20 countries are also included.

Source: Dahlström, C. et al. (2015<sub>[53]</sub>), The QoG Expert Survey Dataset II, University of Gothenburg: The Quality of Government Institute, <https://qog.pol.gu.se/data/datadownloads/qogexpertsurveydata>.

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Nonetheless, most countries in the region have made progress on meritocratic recruitment for civil servants, with scores of the Civil Merit Index improving in almost all countries since 2004 (Figure 1.27). The merit index assesses the following factors: hiring is open to all candidates with required qualifications and is established according to technical considerations, adequate safeguard mechanisms against arbitrariness during the hiring process are in place and dismissals that affect professional positions are not motivated by political changes. One of the main drivers for the improvement is the introduction of public employment web portals through which hiring competitions are more open and widely publicised, a stronger emphasis on selection tests and the strengthening of civil service agencies (OECD, 2016<sub>[54]</sub>). In 2013, Paraguay, for example, created the portal *Paraguay Concursa*, which covers admission and promotion for competitions, and establishes procedures to create and validate competitive examinations, advertise job positions, evaluate candidates and announce competition results (OECD, 2018<sub>[55]</sub>).

Figure 1.27. Significant improvement of the Civil Merit Index, 2004 and 2012-15



Notes: This index measures the guarantees of professionalism in the way that the civil service system works, and thus places a value on impartiality in decision making in each management subsystem. Specifically, the Civil Merit Index measures the degree of effective protection against arbitrariness, political capture or *clientelism*, and the different ways that interested groups or sectors engage in rent-seeking. The scale is from 0 to 100, with 100 being the best possible score.

Source: OECD (2016<sup>[54]</sup>), *Government at a Glance: Latin America and the Caribbean 2017*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264265554-en>.  
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## 1.5. Conclusion: Tying things together

Sound public governance is essential to the achievement of economic and social objectives. This chapter provides evidence on the need to design public policies around the principles of transparency, accountability, integrity and participation, as well as on the importance of implementing governance reforms fairly and effectively. This is essential if governments are to meet the demands of the citizens and restore trust in public institutions.

Both the OECD and the IDB have developed work streams and in-depth analysis, both country specific and at the regional level, that have provided the foundation for this chapter. This includes the *Action Plan on Integrity for Good Governance in Latin America and the Caribbean: From Commitments to Action*, which provides concrete recommendations in many of the areas that have been mentioned in this chapter (OECD, 2018<sup>[6]</sup>).

The relevance of the political economy of reforms is increasingly understood in the region, as it has been emphasised in this chapter. The fundamental question, however, is how to translate these insights into concrete recommendations for decision-makers. This includes how to set policy priorities and sequence reforms, enhance administrative and skills capacity in sub-national levels of government, strengthen coordination capacity within sub-national governments and between levels of government, and how to deal with political costs and compensate those who lose from a given reform.

In this context, and in conclusion, governments need to make additional efforts in the monitoring and evaluation of reforms. This requires the development of meaningful national and sub-national performance indicators that can provide policy-makers and stakeholders information concerning the gap between *de jure* quality of normative frameworks and the *de facto* implementation. Future *Government at a Glance* editions could aim at picking up this measurement challenge which could then support further global policy dialogue.

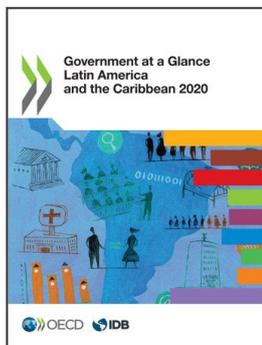
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