Actionable Governance Indicators – Concepts and Measurement

What are Actionable Governance Indicators (AGIs)?

Definition of AGIs

Actionable governance indicators (AGIs) provide evidence on the characteristics and functioning of particular elements and sub-elements of the various dimensions of governance.

This note explains what AGIs are and illustrates them with a couple of examples. As the above definition requires clarity on what constitute dimensions, elements and sub-elements of governance, we begin with explanations of those terms. Annex 1 provides a bullet-point summary of key features of AGIs, as well as clarification of what AGIs are not, while Annex 2 provides additional clarification of what distinguishes AGIs from other types of indicators.

Governance Dimensions

Governance dimensions could, of course, be defined in any number of ways. To avoid opening a hornet’s nest of argument about what constitutes a “governance dimension” and what comprises the full set of “governance dimensions”, we simply adopt a...
schematic summary of the various dimensions of “good governance” that has evolved within the World Bank over the last decade:  

AGIs, then, are indicators that provide evidence on the characteristics and functioning of particular elements or sub-elements of any of the five governance dimensions identified in the above diagram:

1. Political accountability
2. Checks & balances
3. Civil society, media and private sector interface with politics and the public administration
4. Decentralization and local participation
5. Public sector management

For simplicity of exposition, we will henceforward employ the term “governance systems” to refer to the elements and sub-elements of any given governance dimension,

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whenever the distinction between elements and sub-elements is not essential to the argument.

**Governance Systems**

Governance systems comprise the elements and sub-elements of the various governance dimensions identified in the above diagram. Examples of the “elements” of each governance dimension are provided in that diagram. But even within those identified within that diagram, one can still drill down, to what we are terming sub-elements. Thus, “cross-cutting public management systems” would include at least the following sub-elements:

- **Public finance management systems** (including budget, revenue, accounting, auditing, and procurement systems)
- **Human resource management systems** (including both civil service management systems, as well as personnel management systems for public employees not encompassed within a given country’s civil service)
- **Policy management systems** (i.e., policy formulation, policy coordination, and oversight of policy implementation in order to better inform both policy formulation and policy coordination activities and decisions)

Similarly, “service delivery and regulatory agencies” would include sub-elements, such as, specific service delivery agents (e.g., a Ministry of Education, individual schools, a Ministry of Health, health care providers, a health care financing institute, etc.), as well as specific regulatory bodies. Each such service delivery or regulatory agency would be a candidate for AGIs designed to provide evidence on the characteristics and functioning of that particular sub-element of the “service delivery and regulatory agencies” element of the public sector management dimension of governance.

**Why Should We Care About AGIs?**

**Objectives of AGIs**

We care about AGIs for three basic reasons:

1. **Design:** Guide the design of specific governance systems reforms.
2. **Implementation:** Hold such governance systems reform efforts accountable for achieving their objectives.
3. **Learn from Experience:** Facilitate systematic empirical research on:
   a. **Determinants of governance systems performance:** What factors (e.g., reform design elements) contribute most significantly to achieving specific governance systems objectives?
   b. **Determinants of governance systems impacts:** What impacts do the various aspects of performance of specific governance systems have on both broad governance quality as well as on specific aspects of government activities, such as production of public goods and services?
Understanding AGIs Within the Normal Indicators Spectrum

If AGIs are to be helpful for these three purposes, they need to be properly chosen. For this reason, it is important to understand how AGIs fit into the conventional set of performance indicator distinctions. The literature on indicators is voluminous. Standard typologies of indicators generally posit three broad levels of indicators – inputs, outputs and outcomes.

1. **Inputs** are the resources employed and activities undertaken in order to produce particular outputs. They can be measured either in monetary terms (dollars, euros, yen, rubles, lei, pesos, etc.), in terms of the magnitudes of particular types of inputs (e.g., teachers, chalk, books, civil servants, medications, etc.), or by monitoring the extent of particular types of activities (e.g., number of teachers/pupil, average class size, etc.)

2. **Outputs** are the products of those inputs and activities, and they are typically produced as a means to an end – i.e., individual outputs are generally things that policy makers believe are required to achieve other, higher level outcomes or results. Outputs are things like reports produced, laws revised, bridges built, students attaining some given level of education, vaccinations provided, etc.

3. **Outcomes** are the ultimate objectives of public policies. They are influenced not only by the outputs of public sector policies and programs, but also by other factors, like the economy, social norms, etc. Examples of outcomes include things like the health of the population (e.g., average life expectancy, infant mortality rates, etc.), economic well being of the population (e.g., average real income), environmental quality (e.g., average air quality, average water quality, etc.).

This three-level hierarchy of indicators, however, is problematic when applied to governance issues. This is because governance facilitates rather than directly delivers both outputs and final outcomes. Given this, one needs to employ an additional typology of indicators in order to be able to shed light on both (a) what factors contribute to improving the performance of any given governance system, and (b) what impacts those governance systems have on both outputs and outcomes of government policies and programs, as well as how those impacts are conditional on other factors (e.g., context).

**AGIs and Modeling the Determinants and Impacts of Governance Systems**

Governance systems influence the ways and extent to which a given country’s public sector produces outputs and outcomes. This influence can be modeled through a system of four sets of equations (all variables are multi-dimensional arrays):

1. \( Y = y(r|s_1) \)
2. \( G = g(Y|s_2) \)
3. \( Q = f(G, x, z_1) \)
4. \( O = m(G, Q, z_2) \)

where
\[ Y = \text{Quality (performance) of governance systems} \]
\[ G = \text{Quality (performance) of governance dimensions} \]
\[ Q = \text{Outputs} \]
\[ O = \text{Outcomes} \]
\[ r = \text{Factors that determine the performance of each governance system, where such performance is the extent to which each governance system meets each of its functional objectives}^{3} \]
\[ s_1 = \text{Exogenous (contextual) factors that affect the impacts of the } r \text{-factors on the performance of each governance system} \]
\[ s_2 = \text{Exogenous (contextual) factors that affect the impacts of each governance system on overall governance quality} \]
\[ x = \text{Inputs} \]
\[ z_1 = \text{Exogenous factors that impact output productivity independently of governance systems} \]
\[ z_2 = \text{Exogenous factors that impact outcome productivity independently of governance systems} \]
\[ y, g, f, m = \text{Production functions for governance systems, governance dimensions, outputs, and outcomes, respectively} \]

In short, the outputs of public sector activities depend on three sets of factors: governance dimensions and systems \((G)\), inputs \((x)\), and exogenous factors \((z_1)\). Similarly, outcomes depend on governance dimensions and systems \((G)\), outputs \((Q)\), and a different set of exogenous factors \((z_2)\). In both of these relationships, however, the quality of governance dimensions and systems depend on an array of factors \((r)\), whose impacts are conditional on another array of exogenous factors \((s_1\) or \(s_2)\).

Reduced forms of the output and outcome equations would be:

5. \[ Q = f^*(Y, r, s_1, s_2, x, z_1) \]
6. \[ O = m^*(Y, r, s_1, s_2, Q, z_2) \]

One of the reasons for developing AGIs identified above is to facilitate a better understanding of the above relationships. Accordingly, AGIs must provide systematic data on the \(Y\) and \(r\) arrays; i.e., the quality of particular governance systems \((Y)\) and the factors that impact those qualities \((r)\). Such information needs, in turn, to be complemented with evidence on how their impacts are conditioned on exogenous (contextual) factors, which requires information on those exogenous factors \((s_1\) and \(s_2)\). In the long run, of course, one would love to use AGI data in the estimation of any or all of the above six equations. This is not realistic in the near or medium term.

What is realistic is to generate \(Y\) and \(r\) data, complement it with \(s\) data, and employ such data for the three purposes already enumerated above: (i) guiding governance system reform design, (ii) facilitating more accountable implementation of such reform efforts by

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3 To illustrate: Public sector HRM systems typically have four functional objectives: (i) depoliticized HRM practices; (ii) attracting and retaining required human capital; (iii) meritocratic and performance-focusing management of human resources; and (iv) wage bill sustainability. The various elements of the \(r\)-array for an HRM system would be those factors that contribute to meeting each of these four HRM objectives.
continuously monitoring the extent to which those reforms achieve their objectives, ⁴ and (iii) facilitating empirical research on the determinants of governance systems performance⁵.

- **Design and implementation of governance system reform efforts**: AGIs will help to inform reform efforts on what they are accomplishing (through the Y-indicators), as well as on the extent to which the reform effort is making progress on meeting the prerequisites (the r-indicators) for improved governance system performance.

- **Facilitate research on the determinants of governance system performance**: AGI indicators should facilitate empirical research on the contributions of the various r-indicators to governance system performance, as measured through the Y-indicators.

Despite the extensive literature on monitoring issues, there is relatively little recognition that better understanding of either the contributions of governance dimensions to public sector performance, or the factors that actually determine the quality with which particular governance systems function, requires *careful, systematic and replicable measurement of these Y, r and s arrays*; i.e., of the quality of particular governance systems (Y), the factors that impact the various quality dimensions of those governance systems (r), and the exogenous factors (s) that often condition the relationships between Y and r.

In short, AGIs must provide evidence on the following sorts of variables:

- **Determinants (r)**: Design features of governance systems
- **Performance (Y)**: Extent to which governance systems meet their functional objectives
- **Exogenous factors (s)**: Other factors that can condition the impacts of:
  - Governance systems design features on the extent to which they meet their functional objectives
  - Governance systems functional performance on outputs and outcomes of government policies and programs.

This AGI initiative aims specifically at helping to address the need for systematic evidence on Y, r, and s. One helpful way of thinking of what this need amounts to is to consider that those of us in the development field, and in the World Bank in particular, devote considerable amounts of attention to monitoring the development aid we provide and its results. That monitoring typically focuses on one or more of the three standard types of indicators identified above: inputs, outputs and outcomes. What is rarely monitoring in the governance field are the intermediate phenomena that are the focus of governance reform support and efforts (Y and r); or what we refer to as the “missing middle” of the indicators spectrum:

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⁴ This should be possible in the near term in any given country, as it only requires monitoring of relevant Y and r indicators.

⁵ This will only be feasible in a more medium term, as it requires such data for enough countries over a long enough time period to allow empirical research.
• Inputs and outputs – i.e., inputs employed, actions taken and products produced as part of an effort to improve the functioning of some specific element or elements of one or more governance dimensions.

• AGIs (the missing middle) – i.e., evidence on the characteristics and functioning of particular governance systems. Details on the sorts of things such indicators can be designed to capture are presented below.  

• Outcomes – i.e., the final impacts of a country’s governance institutions on one or more of the five dimensions of governance identified above, or on political, social or economic phenomena about which citizens care. The most widely monitored sets of such outcome indicators for governance focus on things like corruption and its myriad manifestations, “rule of law”, “political freedom”, “democracy”, etc.

How Can We Actually Measure AGIs?

A program that aims at measuring AGIs for various governance systems must be clear about the sorts of things that such indicators must capture. The above analysis helps to clarify what sorts of things will need to be measured. That analysis makes clear that the focus of AGI measurement must be the various elements of the Y and r factors that apply to any given governance system targeted by any given AGI monitoring effort.

Two Categories of AGIs

Given the above reasoning, it follows that AGIs fall into two broad categories: Y- and r-indicators; where Y-indicators provide information on the performance of particular governance systems along their various performance dimensions, while r-indicators provide information on the determinants of the performance of given governance systems along their various performance dimensions.

Governance Systems Features (Performance-determinants): r-indicators

r-indicators aim to capture the features of any given governance system that determine how well that governance system functions along its various performance dimensions. As a starting point for developing such indicators, it is typical to devise indicators that capture widely agreed prerequisites for a well functioning governance system. A useful typology of such r-indicators subdivides them into two broad sets – (i) rules of the game, and (ii) descriptors of capacities of the various agents involved in a given governance system:

• rules of the game – i.e., rules governing the actions of agents who are involved in the operation of a given governance system. These rules create (better or worse) incentives for agents to perform their roles. They do so in a variety of ways, including:

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6 For more discussion regarding what distinguishes AGIs from input, output and outcome indicators, please see Annex 2, “What Distinguishes AGIs from Other Types of Indicators?”
circumscribing the behavior and actions of agents within a particular governance dimension by specifying rules that govern the actions/behavior of particular agents:

- **mandatory rules**: rules that require particular actions by particular agents
- **permissive rules**: rules that permit a range of actions/behavior by particular agents

defining responsibilities; i.e.,

- defining particular responsibilities of particular agents within any given governance system and
- establishing the rules governing the exercise of each such responsibility

assigning responsibilities, rights and authority; i.e., parceling out those responsibilities, rights and particular types of authority to distinct agents, including, but not limited to:

- **policy-setting agents**: i.e., agents whose roles are to establish the rules (policies, procedures) governing the actions of other agents within a given governance system
- **operational agents**: i.e., agents whose roles are to do the work of a given governance system
- **oversight agents**: i.e., agents whose roles are to exercise oversight of other agents within a given governance system,
- **separating conflicting responsibilities**: i.e., assigning responsibilities across agents in ways that avoid creating conflicts of interest, e.g., by separating oversight responsibilities from operational responsibilities,

requiring tracking, monitoring and disclosure of evidence on the exercise of particular responsibilities, rights and authorities: by, e.g.,

- imposing records tracking (e.g., accounting) requirements for each set of responsibilities,
- imposing reporting requirements for each set of responsibilities,
- imposing freedom of access to information requirements,

creating checks and balances, both within and across governance systems and dimensions.

- **capacity features** – i.e., characteristics of resources that are widely recognized as important determinants of the capacity of a given governance system to function well

- **types of resources**, including descriptors that capture the quality of each resource
- **quantities of each type of resource**
- **production technologies employed and their defining characteristics**

**Governance Systems Performance: Y-indicators**

Y-indicators provide evidence on how well any given governance system is functioning along particular performance dimensions; i.e., how well that system is achieving each of
its functional performance objectives. Such indicators capture the extent to which the immediate objectives of specific institutional reforms are being achieved. More specifically, such indicators measure aspects of organizational behavior and practices, whose variance reflects the extent to which a particular governance system is achieving its various functional performance objectives. For instance, one of the objectives of a human resource management system is to attract qualified human capital skills. An indicator of how well this objective is being achieved is the average number of qualified applicants per advertised position. Higher averages would reflect better performance on this objective than would lower averages. In addition, variance in such averages across sets of human capital skills (e.g., across professions or types of positions) would indicate that this objective was being better (conversely, less well) achieved for some skill sets than for others.

Illustrations of AGIs

In what follows we provide concrete illustrations of AGIs for two specific governance systems: (i) public finance management, and (ii) human resource management.

Public Finance Management (PFM) AGIs: PEFA\(^7\) Indicators

The Public Expenditure and Finance Accountability (PEFA) indicators provide perhaps the most fully developed, vetted and officially endorsed set of AGIs currently available.\(^8\) The PEFA methodology provides 28 indicators, covering six dimensions of public finance management systems. Some of the PEFA indicators capture determinants (r-indicators) of public finance management (PFM) system performance along particular PFM dimensions, while others capture performance (Y-indicators) along particular PFM dimensions. Many capture a mixture of these two types of AGIs, as many of PEFA’s detailed indicators are multi-dimensional (see Table 1).

The six critical dimensions covered by the PEFA indicators are\(^9\):

A Credibility of the budget - The budget is realistic and is implemented as intended

B Comprehensiveness and transparency - The budget and the fiscal risk oversight are comprehensive, and fiscal and budget information is accessible to the public.

C Policy-based budgeting - The budget is prepared with due regard to government policy.

D Predictability and control in budget execution - The budget is implemented in an orderly and predictable manner and there are arrangements for the exercise of control and stewardship in the use of public funds.

E Accounting, recording and reporting – Adequate records and information are produced, maintained and disseminated to meet decision-making control, management and reporting purposes.

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\(^7\) Public Expenditure and Financial Accountability (PEFA): [www.pefa.org](http://www.pefa.org)


**External scrutiny and audit** - Arrangements for scrutiny of public finances and follow up by executive are operating.

Within each of these high level indicators, the PEFA methodology identifies between two and nine lower level indicators, which are summarized in Table 1.

**Table 1: PEFA Indicators**

<table>
<thead>
<tr>
<th>Indicator Acronym</th>
<th>Indicator</th>
<th>Type: Determinant (r-indicator) or Performance (Y-indicator)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Credibility of the budget</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PI-1</td>
<td>Aggregate expenditure out-turn compared to original approved budget</td>
<td>Performance</td>
</tr>
<tr>
<td>PI-2</td>
<td>Composition of expenditure out-turn compared to original approved budget</td>
<td>Performance</td>
</tr>
<tr>
<td>PI-3</td>
<td>Aggregate revenue out-turn compared to original approved budget</td>
<td>Performance</td>
</tr>
<tr>
<td>PI-4</td>
<td>Stock and monitoring of expenditure payment arrears</td>
<td>Performance/Determinant</td>
</tr>
<tr>
<td><strong>B. Comprehensiveness and transparency</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PI-5</td>
<td>Classification of the budget</td>
<td>Performance</td>
</tr>
<tr>
<td>PI-6</td>
<td>Comprehensiveness of information included in budget documentation</td>
<td>Performance</td>
</tr>
<tr>
<td>PI-7</td>
<td>Extent of unreported government operations</td>
<td>Performance</td>
</tr>
<tr>
<td>PI-8</td>
<td>Transparency of inter-governmental fiscal relations</td>
<td>Performance/Determinant</td>
</tr>
<tr>
<td>PI-9</td>
<td>Oversight of aggregate fiscal risk from other public sector entities</td>
<td>Performance</td>
</tr>
<tr>
<td>PI-10</td>
<td>Public access to key fiscal information</td>
<td>Performance</td>
</tr>
<tr>
<td><strong>C. Policy-based budgeting</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PI-11</td>
<td>Orderliness and participation in the annual budget process</td>
<td>Performance/Determinant</td>
</tr>
<tr>
<td>PI-12</td>
<td>Multi-year perspective in fiscal planning, expenditure policy and budgeting</td>
<td>Determinant</td>
</tr>
<tr>
<td><strong>D. Predictability and control in budget execution</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PI-13</td>
<td>Transparency of taxpayer obligations and liabilities</td>
<td>Determinant</td>
</tr>
<tr>
<td>PI-14</td>
<td>Effectiveness of measures for taxpayer registration and tax assessment</td>
<td>Determinant</td>
</tr>
<tr>
<td>PI-15</td>
<td>Effectiveness in collection of tax payments</td>
<td>Performance/Determinant</td>
</tr>
<tr>
<td>Indicator Acronym</td>
<td>Indicator</td>
<td>Type: Determinant (r-indicator) or Performance (Y-indicator)</td>
</tr>
<tr>
<td>------------------</td>
<td>--------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>PI-16</td>
<td>Predictability in the availability of funds for commitment of expenditures</td>
<td>Performance/Determinant</td>
</tr>
<tr>
<td>PI-17</td>
<td>Recording and management of cash balances, debt and guarantees</td>
<td>Performance/Determinant</td>
</tr>
<tr>
<td>PI-18</td>
<td>Effectiveness of payroll controls</td>
<td>Determinant</td>
</tr>
<tr>
<td>PI-19</td>
<td>Competition, value for money and controls in procurement</td>
<td>Performance/Determinant</td>
</tr>
<tr>
<td>PI-20</td>
<td>Effectiveness of internal controls for non-salary expenditures</td>
<td>Performance/Determinant</td>
</tr>
<tr>
<td>PI-21</td>
<td>Effectiveness of internal audit</td>
<td>Performance/Determinant</td>
</tr>
<tr>
<td>E.</td>
<td>Accounting, recording and reporting</td>
<td></td>
</tr>
<tr>
<td>PI-22</td>
<td>Timeliness and regularity of accounts reconciliation</td>
<td>Performance</td>
</tr>
<tr>
<td>PI-23</td>
<td>Availability of information on resources received by service delivery units</td>
<td>Performance/Determinant</td>
</tr>
<tr>
<td>PI-24</td>
<td>Quality and timeliness of in-year budget reports</td>
<td>Performance/Determinant</td>
</tr>
<tr>
<td>PI-25</td>
<td>Quality and timeliness of annual financial statements</td>
<td>Performance/Determinant</td>
</tr>
<tr>
<td>F.</td>
<td>External scrutiny and audit</td>
<td></td>
</tr>
<tr>
<td>PI-26</td>
<td>Scope, nature, and follow-up of external audit</td>
<td>Performance</td>
</tr>
<tr>
<td>PI-27</td>
<td>Legislative scrutiny of annual budget law</td>
<td>Performance/Determinant</td>
</tr>
<tr>
<td>PI-28</td>
<td>Legislative scrutiny of external audit reports</td>
<td>Performance</td>
</tr>
</tbody>
</table>

**Human Resource Management (HRM) AGIs**

AGIs for human resource management (HRM) have been developed for monitoring both performance of HRM systems (Y-indicators), as well as determinants of the performance of those systems (r-indicators).

**Performance HRM AGIs (Y-indicators)**

HRM reforms typically pursue one or more of four objectives:

1. Depoliticized personnel management
2. Merit-based, performance-encouraging personnel management
3. Attract and retain qualified staff
4. Fiscal sustainability of the wage bill

Table 2 identifies a set of indicators within each of these three broad objectives, each of which captures either a recognized prerequisite for furthering that objective or a
A dimension of organizational behavior that sheds light on whether that objective is being advanced.

### Table 2: Human Resource Management Performance Indicators

<table>
<thead>
<tr>
<th>Objective</th>
<th>Rationale</th>
<th>Indicator</th>
<th>Type: Determinant (r-indicator) or Performance (Y-indicator)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Depoliticized personnel management within the Civil Service (CS)</td>
<td>Turnover within the civil service (CS) unrelated to changes in political leadership</td>
<td>Quarterly civil service turnover rates that spike immediately following a change in political leadership suggest that civil service appointments and departures are significantly influenced by political pressures.</td>
<td>Quarterly CS turnover rates plotted against changes in political leadership</td>
</tr>
<tr>
<td></td>
<td>In some countries, transfers, rather than dismissals, are the favored device for politicizing the civil service. Accordingly, quarterly civil service transfer rates that spike immediately following a change in political leadership suggest that civil service appointments and departures are significantly influenced by political pressures.</td>
<td>Quarterly CS transfer rates plotted against changes in political leadership</td>
<td>Performance</td>
</tr>
<tr>
<td></td>
<td>Quarterly turnover rates of political appointees plotted against changes in political leadership should exhibit larger spikes after changes in political leadership than is the case for civil servants.</td>
<td>Quarterly turnover rates of political appointees plotted against changes in political leadership</td>
<td>Performance</td>
</tr>
<tr>
<td>2. Merit-based, performance-encouraging personnel management</td>
<td>Staff actually work.</td>
<td>High absenteeism is a sign that staff are not adequately motivated to work.</td>
<td>Average absentee rate within a given cadre of staff.</td>
</tr>
<tr>
<td></td>
<td>Competition in recruitment and selection</td>
<td>Competitive recruitment and selection procedures enhance transparency, fairness and the odds of merit-based personnel management practices</td>
<td>% of vacancies filled through advertised, competitive procedures</td>
</tr>
<tr>
<td></td>
<td>Effective performance evaluation practices</td>
<td>Performance evaluations are a necessary but not sufficient condition for merit-based CS management practices that link</td>
<td>% of CS staff for whom annual performance evaluations were</td>
</tr>
<tr>
<td>Objective</td>
<td>Rationale</td>
<td>Indicator</td>
<td>Type: Determinant (r-indicator) or Performance (Y-indicator)</td>
</tr>
<tr>
<td>-----------</td>
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<td>-----------</td>
<td>----------------------------------------------------------</td>
</tr>
<tr>
<td>some rewards to performance.</td>
<td>completed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Variance in performance evaluations is a necessary but not sufficient condition for an effective performance evaluation process.</td>
<td>% of CS performance evaluations falling in each rating category</td>
<td>Performance</td>
<td></td>
</tr>
<tr>
<td>Continuously weed out poor performing staff</td>
<td>As CS management practices improve, poorer performing civil servants should exit the CS at non-trivial rates, thereby improving average quality of CS incumbents over time.</td>
<td>% of civil servants receiving the lowest performance rating in two successive years who have left the CS within the following year.</td>
<td>Performance</td>
</tr>
</tbody>
</table>

### 3. Attract and retain qualified staff

<table>
<thead>
<tr>
<th>Attract qualified staff</th>
<th>Increases in average CS total remuneration relative to average economic sector wages suggest increasingly competitive (and hence, attractive) CS remuneration.</th>
<th>Average CS total remuneration as a % of average economic sector wages</th>
<th>Determinant</th>
</tr>
</thead>
<tbody>
<tr>
<td>A CS salary structure that yields a consistent ratio of CS to private sector comparator salaries across Titles enhances capacity to recruit and retain qualified staff within all CS skill sets.</td>
<td>Ratios of average CS to private sector total remuneration by Title</td>
<td>Determinant</td>
<td></td>
</tr>
<tr>
<td>As CS positions become more attractive, the average number of qualified applicants per advertised CS opening should increase.</td>
<td>Average number of qualified (long-listed) candidates per advertised CS opening</td>
<td>Performance</td>
<td></td>
</tr>
<tr>
<td>Retain qualified staff</td>
<td>Low annual turnover rates of recent recruits suggest that staff find public employment attractive enough to remain within the public administration.</td>
<td>Average 3-year turnover rates for recent recruits.</td>
<td>Performance</td>
</tr>
<tr>
<td>Minimal variance in annual turnover rates among recent recruits across types of positions (e.g., Titles, urban vs. rural locations, etc.) suggests that employment packages are consistently attractive across</td>
<td>Variance in title-specific 3-year turnover rates among recent recruits.</td>
<td>Performance</td>
<td></td>
</tr>
</tbody>
</table>
FYR Macedonia and Albania are each monitoring “Actionable HRM Indicators”, from which many of the entries in Table 2 have been drawn. Albania has been monitoring such indicators since early 2000, while FYR Macedonia began monitoring more recently. Albania’s CS reform leaders have, from time to time, employed their monitoring data as evidence when they have made a case to the Prime Minister or the Government for particular interventions. For instance, in the early stages of implementation of Albania’s civil service reform effort, the entity charged with ensuring effective implementation of the CS Law, the Department of Public Administration (DoPA), noticed a significant increase in requests from Ministers for exemptions from the competitive recruitment procedures mandated by the CS Law. DoPA’s Director used data on that increase successfully to make a case for imposition of regulations that would make it more difficult to justify such exemptions. Similarly, in the early stages of Albania’s CS reform effort, a survey of public and private sector salaries was employed by DoPA to develop a proposal, which was ultimately adopted, for a new CS salary structure, which would ensure consistency in the competitiveness of CS salaries across types of CS positions. Finally, evidence on a rising incidence of qualified applicants per advertised CS position

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10 Ratio of average total remuneration for staff in the highest rank to average total remuneration for staff in an entry level position.
in Albania has helped to convince doubters about the efficacy of Albania’s competitive recruitment and selection procedures.

**Determinants HRM AGIs (r-indicators)**

Tools have also been developed to measure what many HRM experts view as key determinants of HRM system performance. A good example of a well-defined and comprehensive set of such r-indicators and Y-indicators, which can be found on the Bank’s AGI website. Annex 3 provides a brief summary of that HRM AGI instrument.
Annexes

Annex 1: Summary of AGI Features and Exclusions

Key Features of AGIs

- Track impacts that can actually be detected within a relatively short time span.
- Capture extent to which the immediate objectives of specific institutional reforms are being achieved.
- Are well defined (i.e., reasonable people can agree on precisely what a given AGI is measuring), while allowing that disagreement may exist regarding the empirical importance or normative implications of a given indicator.
- Are narrowly enough circumscribed and clearly enough defined that they facilitate deliberations about what sorts of actions might be helpful for improving the performance of a particular element of one of the above five governance dimensions.

Exclusions: What AGIs Are Not

- They are not broad indicators of the quality of an entire dimension of governance.
- They are not unbundled, constituent elements of such broad indicators of governance.
Annex 2: What Distinguishes AGIs from Other Types of Indicators?

Consider the process of trying to improve some particular element of a given dimension of governance. The Bank supports such efforts all the time. Projects aimed at strengthening public financial management are an example, as would be a project supporting civil service reform. Similarly, a Country Assistance Strategy (CAS) could include both analytic and operational work aimed at ensuring that a given country establishes more effective transparency and accountability requirements, through, for instance, enacting more sensibly designed asset declaration requirements, conflict of interest laws and freedom of information requirements. In any such reform process, there will be a need to monitor both implementation and results of the reform effort. Projects typically focus their monitoring efforts on inputs, activities and outputs; i.e., the first two of the standard sets of indicators noted above. A CAS, on the other hand, is more likely to focus its monitoring on a mixture of outputs (e.g., laws passed) and outcomes. But it is rare for reformers or donors, such as the Bank, to design indicators that systematically monitor the “missing middle” identified above; i.e., the quality of particular elements of given governance dimensions (the y array noted above) and the factors that impact those qualities (the r array noted above).

AGIs vs. input and output indicators

Input and output indicators for such governance reform efforts track inputs employed, actions taken and products produced as part of that effort to improve the functioning of some specific element or elements of one or more governance dimensions. For example, a public financial management reform effort might include activities such as the following:

- design and install a computerized financial management information system (action; product),
- revise an organic budget law (action; product)
- establish a new accounting system and chart of accounts (action, product)
- strengthen the capacities of an internal audit unit by providing training to its staff (action)

Most governance reform efforts, and World Bank-financed projects in particular, regularly monitor indicators of such activities, what inputs are employed to do this, at what cost, and what products are produced by those actions. This is important for managing such reform efforts, but it is not sufficient for determining whether such a reform effort is actually making progress on the underlying governance improvements being sought by those actions.

A key reason for this is that the impacts of most governance reforms depend not solely on those inputs, actions and products, but also on other factors, such as the ways in which those actions are undertaken, and whether those actions and their timing are sensibly adjusted during implementation to address constantly changing challenges to the reform effort (e.g., events which occur with some probability, rather than which can be anticipated with certainty during project design). In short, the agents responsible for implementing a reform agenda can, and often do, undertake the programmed actions in
ineffective ways – e.g., in a pro forma fashion, or without adequately tailoring their actions to unpredictable sources of resistance if and when such resistance arises, etc.

AGIs provide an additional tool for addressing this risk, since they can provide systematic evidence on whether the reform agenda has been implemented in a way that actually furthers the underlying objectives. As such, they provide an important complement to input and output indicators, which are an important tool for managing a governance reform effort, but are not well tailored for ensuring that reform activities are actually contributing to the core objectives of the reform effort. We explain below in the main body of this note two distinct ways that AGIs can be designed to address this need.

**AGIs vs. outcome indicators**

Governance outcome indicators, on the other hand, focus on the final impacts of a country’s governance institutions on one or more of the five dimensions of governance identified above, or on political, social or economic phenomena about which citizens care. Examples of the former include some of the WBI governance indicators\(^{11}\), many of the summary indices included in the Global Integrity Index\(^{12}\), the summary indices included in the World Bank’s Country Policy and Institutional Assessment (CPIA)\(^{13}\), etc. Typical examples of the latter include indicators that focus on corruption and its myriad manifestations; e.g., the WBI governance indicators\(^{14}\), various indicators available from the Bank’s Business Environment and Enterprise Surveys (BEEPS)\(^{15}\), as well as Transparency International’s Corruptions Perceptions Index\(^{16}\), etc.

Governance outcome indicators, however, provide very little guidance on why a given country is performing well or poorly on any given governance dimension. They don’t shed light on which elements of each dimension are working well or poorly. Nor do they provide evidence on why any particular element of a given governance dimension is working well or poorly. AGIs are designed precisely to drill down to the elements and sub-elements of each governance dimension, and even further, to the various features of a given element or sub-element, so as to shed light on both which elements or sub-elements and what features of any given element or sub-element are working well or poorly. When coupled with evidence on context, as well as inputs and outputs, AGIs can facilitate research on how particular aspects of context, inputs and outputs of governance reform efforts interact and contribute to the performance of a particular element or sub-element of a given governance dimension.

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\(^{12}\) http://www.globalintegrity.org

\(^{13}\) http://siteresources.worldbank.org/IDA/Resources/73153-1181752621336/CPIA06CriteriaA2.pdf


\(^{16}\) http://www.icgg.org

This diagnostic instrument seeks to assess the institutional arrangements and organizational capacities related to six core objectives posited for a human resource management (HRM) regime:

1. Attracting and retaining required human capital
2. Fiscally sustainable wage bill
3. Depoliticized, meritocratic management
4. Performance-focusing management
5. Ethical behavior by members
6. Effective collaboration across cadres

Objective

The instrument is designed to serve four distinct purposes:

- **Diagnosis**: To capture systematic evidence on both the “in law” and the “in practice” characteristics of the institutional arrangements (rules of the game) and organizational capacities of a country’s human resource management (HRM) systems for particular cadres of public employees, so as to permit detailed diagnoses of those HRM systems.
- **Assessment**: To capture systematic evidence on the extent to which core HRM system performance objectives are being met within each of those HRM systems.
- **Feedback**: To facilitate continuous feedback, through repeated use of the instrument, on the implementation and immediate impacts of initiated reform efforts to strengthen the institutional arrangements and improve day-to-day practices of each of the HRM systems captured by the instrument.
- **Learning**: To facilitate continuous, evidence-based learning about which elements of HRM system’s design (institutions), capacities and practices contribute most consistently and significantly to the performance of a given HRM system.

Structure

The HRM diagnostic instrument consists of four separate modules, each designed to assess a distinct category of public employees:

- Civil servants (Module A)
- Service delivery professionals (Module B)
- Contract workers (Module C)
- Politically appointed officials (Module D)

Each module is structured into three sections: **Institutional Arrangements** (section I); **Organizational Capacities** (section II); and **HRM System Performance** (section III). Both the Institutional Arrangements section and the Organizational Capacities section are separated into two parts: “in law” and “in practice”. The “in law” questions capture information on features of the legal framework governing the category of public employees covered by that module. The “in practice” part captures information on how the legal
framework actually operates in practice. The HRM System Performance section captures only “in practice” information.

In addition, the instrument includes an annex (excel workbook) designed to collect relevant descriptive data on: (i) employment; (ii) remuneration; (iii) wage bill; and (iv) demographic and economic data.

For more information, see http://agi.worldbank.org