ASSESSING EMPOWERMENT IN THE ECA REGION

by Christiaan Grootaert

Summary

The original paper was written for the ECA Region’s study on the Non-Income Dimensions of Poverty (Task team leaders: Christine Jones and Ana Revenga). Thanks are due to Carine Clert, Nora Dudwick, Christine Jones, Ana Revenga, and Dena Ringold for many helpful comments and suggestions, and to Kalpana Mehra for assistance with the data collection and processing.
1. **INTRODUCTION AND BACKGROUND**

Over the last two decades, the concept of poverty has gradually been broadened from a narrow income or expenditure focus to include health, education, and social and political participation. The *World Development Report 2000/2001: Attacking Poverty* brought this enhanced concept firmly into the policy sphere by proposing a poverty reduction strategy based on promoting opportunity, facilitating empowerment, and enhancing security (World Bank, 2001). The implications of this strategy for World Bank operations were discussed by the institution’s Executive Board in June 2001 (World Bank, 2002d). The tools to facilitate empowerment in practice were further explored in the Empowerment and Poverty Reduction Sourcebook (World Bank, 2002).

One aspect which has hindered the integration of the empowerment notion in poverty analysis is the difficulty of measuring empowerment and progress in enhancing it. The purpose of this paper is to suggest a number of indicators that can be used to quantify empowerment, and to illustrate this in the case of the nine PRSP countries in the ECA Region. The proposed indicators cover both the micro and macro levels, since empowerment requires action at the level of households, communities, and the state. At this point in time, data are not available for all proposed indicators, but the hope is that agreement on a suitable set of indicators will lead to their inclusion in countries’ data collection efforts.

2. **THE MEANING OF EMPOWERMENT**

Empowerment is defined here in the context of its role in a poverty reduction strategy. Interestingly, the *World Development Report 2000/2001* does not provide a definition of empowerment. One has to derive the meaning of the term from the actions proposed by the report under the heading of facilitating empowerment. These actions fall in three categories:

1. Making state institutions more responsive to poor people;
2. Removing social barriers; and
3. Building social institutions and social capital.

The Empowerment Sourcebook does provide a specific definition: “Empowerment is the expansion of assets and capabilities of poor people to participate in, negotiate with, influence, control, and hold accountable institutions that affect their lives” (p. 14, World Bank, 2002). This definition is clearly more narrow and specific than what could be understood from the common-parlance use of the term power. Specifically, it associates empowerment with poor people (implying that non-poor people have adequate power and need not be empowered) and limits the range of actions to

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1 This implication was partially refuted in a recent empirical study for Russia, which found that many people who do not see themselves as poor nevertheless feel that they have little power. Forty-two percent
those that involve an interaction with institutions. Indeed, the Sourcebook clarifies that “empowering poor men and women requires the removal of formal and informal institutional barriers” (p. xix).

The formal institutions in question include the state, markets, civil society, and international agencies. Informal institutions include norms of social exclusion, exploitative relations, and corruption. This relatively narrow focus of the empowerment concept is helpful from the point of view of quantification because it immediately provides a range of topics for the selection of indicators.

The WDR 2000/2001 and the Empowerment Sourcebook both put the primary focus on state reform. Empowerment is thus not necessarily a grassroots or bottoms-up activity, but one in which the state is a key actor. This top-down aspect will have to be reflected in indicators, which will need to capture functions and behaviors of the state related to the sharing of power, the responsiveness to constituency, and the transparency of its actions.

A focus on state reform indicators is especially important for ECA countries because the success of transition has been determined to such a large degree by the institutional structures which countries inherited from the socialist period. Countries with better institutional checks and balances in the form of more mature political democracies, stronger civil societies, and better legal frameworks succeeded better in establishing political and economic accountability, enacting pro-poor reforms, and thus empowering their citizens (World Bank, 2000b).

The WDR and the Sourcebook both discuss aspects of social exclusion and discrimination as barriers to empowerment. A series of indicators of social stratification and inequality in economic, social, and political outcomes will attempt to capture this aspect.

The third element of the WDR’s strategy for facilitating empowerment, the building of social institutions and social capital, is not an explicit part of the Sourcebook’s definition of empowerment but it is implicit in the strategies recommended by the Sourcebook, which all aim to promote institutional reform at large. This institutional reform must be based on four key elements of empowerment: (1) access to information, (2) inclusion/participation, (3) accountability, and (4) local organizational capacity.

Box 1 summarizes the approaches to empowerment followed in the WDR and the Empowerment Sourcebook and provides a guidance for tackling the measurement question.

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2 There is growing consensus that understanding and measuring empowerment requires looking at the interactions between the state, civil society, and markets. For example, a recent paper by Walton (2002) uses this framework for discussing empowerment in Latin America and the Caribbean.
Box 1: Understanding Empowerment

- Making state institutions more responsive to poor people
- Removing social barriers
- Building social institutions and social capital

Empowerment Sourcebook
“Empowerment is the expansion of assets and capabilities of poor people to participate in, negotiate with, influence, control, and hold accountable institutions that affect their lives”

Four key elements:
- Access to information
- Inclusion/participation
- Accountability
- Local organizational capacity


3. THE THREE PILLARS OF EMPOWERMENT: STATE REFORM, REMOVING SOCIAL BARRIERS, AND BUILDING SOCIAL CAPITAL

3A. Making State Institutions More Responsive to Poor People

The reform of the state to make its actions more beneficial for poor people is a wide-ranging task that requires changes in all three branches of government: executive, legislative, and judiciary. The WDR 2000/2001 groups these changes under four headings: reforming public administrations, reforming the legal system, decentralizing power, and promoting democratic politics.

3A1. Reforming Public Administrations

In many developing countries, poor people are not well served by the public administration. This can happen because the public administration does not provide the services which the poor need and/or because the poor are simply not informed about the services that are in fact available. Often interaction with various levels of the public administration is characterized by corruption, the burden of which falls disproportionately on poor people. Changing the situation to empower poor people will in the first place require reform of the public administration.

The starting point is the need for the public sector to pursue activities that are socially justified and which contribute to reducing poverty. This can be monitored on the basis of public expenditure reviews and impact studies which determine the type of
expenditures that primarily benefit the poor, such as primary and secondary education, preventive health care, the construction of local roads, etc. Once agreement on such a list is reached (which is likely to be country-specific), the share of the government’s budget devoted to such activities becomes a monitorable indicator.

Even with the right mix of activities, efficient delivery of services will require a well-functioning public administration. While improving the functioning of the public sector is a highly complex task, a number of basic ingredients contribute to this outcome, such as merit-based recruitment and compensation. Empirical evidence indicates that merit-based recruitment is associated with less corruption and less bureaucratic delay. Compensation of public servants that is severely below that in the private sector is also likely to create a drain on performance. The World Bank’s Governance Data Base indicates that in the nine PRSP countries in this study, the level of government effectiveness is low. This is confirmed by measures of bureaucratic quality provided by the International Country Risk Guide (ICRG).

A major indicator of the extent to which the state is responsive to the poor is the existence of corruption. Corruption is a regressive tax which hurts the poor and small businesses the most. There has been a notable increase in data collection about corruption in countries across the world, and for many countries corruption indicators are available at the national, sub-national and agency level. The main difficulty is that the data collection is rarely consistent across countries so that different databases usually need to be combined to establish globally comparable indicators. Corruption in the ECA Region is generally perceived to be at very high levels. Various indicators suggest that the situation is best in Hungary, Poland, and the Czech Republic. The worst scores are for Tajikistan, Russia, and Azerbaijan. Seven of the nine PRSP countries have maintained or improved their relative position between 1997/98 and 2000/01. Severe deteriorations occurred in Moldova and Russia.

3A2. Making the Legal System More Responsive to Poor People

The rule of law refers to a country’s formal rules which are upheld through the judicial system. For the rule of law to be a mechanism of empowerment, two conditions must be met: (1) the rules have to apply equally to all citizens, and (2) the state must be subject to the rules. Legal reform is part of a growing number of World Bank projects and a frequent priority is to simplify and clarify existing laws. Excessive complexity increases the cost of using the legal system and constitutes a bias against the poor. Simplification of the rules is especially important in areas of the law that touch poor people’s lives frequently, such as labor disputes, land titling, human rights abuses, and police violence.

Implementation of the rule of law is captured in one of the indicators in the Governance Data Base, which indicates that eight of the nine PRSP countries reviewed here have mildly negative scores, and are situated in a fairly narrow range internationally from the 22nd percentile to the 46th percentile. The exception is Tajikistan, which is in the bottom 5%.
Regulatory quality also impacts many aspects of personal and business life. Overall regulatory quality is quite low in the nine PRSP countries but the trend is favorable: all but one country improved their relative position vis-à-vis the rest of the world between 1997/98 and 2000/01.

3A3. Pro-Poor Decentralization

Decentralization is generally seen as an important means for steering development in a direction that takes the needs of local communities more into account. Decentralization is defined as the formal devolution of power to local decision makers. The transfer of tasks from the central to the local level has to be matched by a genuine transfer of fiscal and enforcement power to the local level. There are a number of dimensions to this process: fiscal, administrative and political decentralization (Shariari 2001).

Effective decentralization requires that these three aspects be implemented in a simultaneous and coordinated fashion. Only then will decentralization have the potential to be an empowering process. A number of concerns have been raised in the ECA Region about the extent to which decentralization can be a pro-poor process given the region’s institutional legacy. Much fiscal decentralization has occurred not as a result of grassroots desires, but in direct response to fiscal crises at the level of the central government.

The share of budget transferred from the central budget to local authorities is a good indicator of fiscal decentralization, but this has to be supplemented with indicators that measure the extent of effective control over these resources. Political decentralization can be monitored through the existence of regular elections for local government, and the fraction of the population that votes in them. Popular participation in the decision making process will often be helped greatly when people can form associations and organizations to lobby for common demands for service and participation and to exercise control (e.g. through “vigilance” or oversight committees). A count of such organizations and their membership is thus another useful indicator of the extent of participation at the local level.

3A4. Promoting Democratic Politics

The democratic political process promotes empowerment by virtue of the emphasis it places on human freedom. This is manifested in the granting of political rights and civil liberties to the citizens. Civil and political freedoms are among the oldest and best established political indicators and some well known examples are the Gastil and Freedom House indicators of freedoms. Six of the nine PRSP countries reviewed here are rated “partly free” in 2000/01 by Freedom House. Kyrgyz Republic, Tajikistan and Uzbekistan are rated as “not free”.

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An important element of civil liberties, worth looking at separately, is the independence of the media. A recent publication by Freedom House has rated this element for all transition countries and indicates that the media in the nine PRSP countries are far from free, with the most government control occurring in Uzbekistan and Azerbaijan. Only Georgia and Macedonia score better than the overall average.

In addition to empowering its citizens with civil and political freedoms, democracy promotes political stability and orderly transitions of power without the use of violence. The Governance Data Base includes a composite indicator of this political process, which indicates that political stability and the absence of political violence are still distant goals in the ECA region. All nine PRSP countries have solidly negative scores and five of them (Armenia, Georgia, Macedonia, Tajikistan, and Uzbekistan) are in the bottom quintile globally.

A key element for achieving democratic accountability is the undertaking of free and fair elections. Freedom House has rated the most recent parliamentary and presidential elections in ECA countries (Karatnycky et al, 2001). Only one PRSP country, Moldova, was considered to have had free and fair parliamentary elections.

Finally, strong civil society organizations can promote the political empowerment of poor people by bringing pressure on the state to serve better the poor’s interests. Freedom House has recently provided an overall assessment of the strength of civil society in transition countries, based on the presence of NGOs, their capacity and sustainability, the legal and political environment in which they function, the existence of free trade unions, and the participation of interest groups in the policy making process. In most PRSP countries, the strength of civil society is rated average. The exceptions are Uzbekistan and Tajikistan where civil society is very weak.

3B. Removing Social Barriers

The second major pillar in the WDR’s approach to empowerment is the removal of social barriers. Social barriers and discrimination on the basis of ethnicity, race, gender, religion, or social status can prevent people from taking advantage of opportunities for economic and social advancement and can lock them in poverty traps. Social institutions can reinforce existing inequalities or they can serve as a vehicle to overcome them. While local action, especially on the part of the community, is unquestionably critical in both the removal of social barriers and the building of social institutions, it will generally require an effort at the level of the central state as well.

Social stratification and inequality are manifested not only in terms of income differentials, but even more so in terms of unequal access to resources such as land and credit. Standard economic statistics on average income levels across socioeconomic groups, average land holdings, or ownership of other assets can serve a useful purpose to illustrate the extent of this inequality. This can be supplemented by statistics on access to education, health, and other public services, disaggregated over the relevant socioeconomic groups. Unfortunately, there are no internationally comparable data bases
which contain such statistics, although this type of disaggregated analysis is commonly done in country-specific economic and sector studies and poverty assessments.

3C. Building Social Institutions and Social Capital

The third and final pillar in the process of empowerment is the building of social institutions and social capital. Social capital refers to the organizations and networks and the underlying norms and values that govern the interactions among people in society. Social capital plays an important role in enhancing the productivity of other assets available to the poor, in protecting their basic needs, and in managing risk. Social capital in the form of solidarity and innovation networks can help household-based enterprises obtain information about trading partners and gain access to technology and marketing information in order to increase profits. Linking or vertical social capital is especially important as a vehicle to improve access to resources from beyond the household’s immediate social and economic environment.

Three types of indicators have been developed to measure the importance of local social institutions and social capital. Structural social capital is measured by the density of networks and associations, the extent of their democratic functioning, the diversity of membership, and the linkages between different associations. Cognitive social capital is captured by indicators of trust and adherence to local norms and values. Finally, indicators of collective action measure the extent to which the community can get together to address problems of common benefit, such as the management of common resources.

No internationally comparable data bases exist which contain these measures of social capital, even though the number of country-studies collecting data on social capital is increasing rapidly.³

4. Overview of Indicators and Recommendations for Data Collection

This paper has identified approximately 50 indicators which can be used to measure and monitor empowerment. Roughly half of those are currently available in easily accessible and internationally comparable data bases.

A dozen priority indicators were selected among the total set. The selection was largely subjective, but preference was given to indicators that are easily obtainable from existing data bases, available on an annual basis, and already enjoy wide recognition and acceptance. A minimum of one indicator was selected for each major type of empowerment action (even if it did not meet the preference criteria). Since each indicator uses a different scale, we standardized the presentation by reverse-scoring indicators if

³ Indicators of the type suggested have been constructed in recent years for Argentina, Bangladesh, Bolivia, Burkina Faso, India, Indonesia, Kenya, Madagascar and Panama. For a review, see Grootaert (2001) and Grootaert and van Bastelaer (2001).
needed so that higher values correspond with higher empowerment in all cases, and by normalizing scores on a 0-100 scale. Table 1 shows the resulting standardized indicators, as well as the numerical average of the ten indicators, which we labeled “empowerment score”. The use of a simple arithmetic average to calculate an aggregate score is of course a mere convenience device, and has no theoretical foundation. Alternative weighting schemes could easily be applied to the data in Table 1.

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4 The normalization was done using the theoretical minimum and maximum of each indicator. This has the advantage of showing more clearly where each country is situated in the feasible range of each indicator. The drawback is that there is implicit under/overweighting of low/high-scoring indicators. The alternative is to normalize using the actual minimum and maximum occurring in the sample. The drawback of this approach is that it introduces arbitrariness, depending upon which countries are included in the sample. Specifically, the presence of one “outlier” can seriously affect the normalized value of the indicator for all included countries. For that reason this procedure is usually reserved for indexes based on large samples. For example, it is used in UNDP’s Human Development Index constructed for almost all countries in the world.

5 The same convenience device underlies some well-known indicators such as the Human Development Index (UNDP, 2002).
**Priority Empowerment Indicators**

<table>
<thead>
<tr>
<th>Empowerment action</th>
<th>Indicator</th>
<th>Data source</th>
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</thead>
<tbody>
<tr>
<td>Reform of public administration</td>
<td>Government effectiveness in service delivery (scale)</td>
<td>Governance data base</td>
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<td></td>
<td>Corruption Perceptions Index (scale)</td>
<td>Transparency International</td>
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<tr>
<td></td>
<td>Incidence of illicit payments</td>
<td>WBES/BEEPS</td>
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<tr>
<td>Reform of legal system</td>
<td>Rule of Law indicator (scale)</td>
<td>Governance data base</td>
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<td></td>
<td>Regulatory Quality (scale)</td>
<td>Governance data base</td>
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<tr>
<td>Decentralization</td>
<td>% of central budget transferred to local authorities</td>
<td>n/av</td>
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<tr>
<td>Democracy</td>
<td>Indicator of civil liberties and political rights (scale)</td>
<td>Freedom House</td>
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<td></td>
<td>Voice and Accountability indicator (scale)</td>
<td>Governance data base</td>
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<td></td>
<td>Civil Society Strength indicator (scale)</td>
<td>Freedom House</td>
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<tr>
<td>Removing social barriers</td>
<td>Share of women in political office</td>
<td>UNDP</td>
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<td></td>
<td>Measure of income inequality (Gini-coefficient)</td>
<td>World Development Indicators</td>
</tr>
<tr>
<td>Building social capital</td>
<td>Density of networks and associations</td>
<td>n/av</td>
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Table 1. Normalized Priority Indicators and Summary Measure

<table>
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<tr>
<th>Country</th>
<th>Government effectiveness</th>
<th>Corruption perceptions</th>
<th>Illicit payments</th>
<th>Rule of law</th>
<th>Regulatory quality</th>
<th>Civil liberties and political freedoms</th>
<th>Voice and accountability</th>
<th>Civil society</th>
<th>Women in political office</th>
<th>Income inequality</th>
<th>Average: Empowerment Score</th>
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<td>45.8</td>
<td>41.7</td>
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<td>9.4</td>
<td>–</td>
<td>42.4</td>
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<td>32.6</td>
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<td>–</td>
<td>24.1</td>
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</table>

Note: Each normalized indicator ranges from 0 to 100, with 100 reflecting the most favorable situation. See text for details on the normalization procedure.
The results indicate that the ECA countries considered here broadly fall into four clusters. Tajikistan has the least empowered citizenry with an average score of only 23.2 (out of 100). The country scores poorly on every indicator for which data are available.

Next are Uzbekistan and Azerbaijan with average empowerment scores in the low 30s. These two countries do well on one or two indicators. For example, Azerbaijan has good regulatory quality and Uzbekistan has a fairly low income inequality.

The third cluster consists of the other six PRSP countries which all have empowerment scores in the 40-45 range. Given the nature of the data underlying the component indicators, differences of 5 points or less in the overall score are probably not meaningful. One could add Russia to this group, with a score of 38.2.

The four remaining ECA comparator countries do much better. Latvia has an empowerment score of 58.6 and the Czech Republic, Hungary, and Poland all fall in the narrow range of 64 to 67. The economic benefits brought to these countries by the transition process can in part be attributed to the increased empowerment of their citizens (World Bank, 2000b). Two of the OECD comparators, Germany and the United States, score only about five points higher, which underlines the extent of the achievement in the empowerment area in the Czech Republic, Hungary, and Poland. Finally, of the comparator countries included in this study, Sweden achieves the highest empowerment score of 80.

**Recommendations for Future Data Collection**

Existing international data bases are sufficiently rich to provide a useful set of indicators to assess the status of empowerment, as this paper has demonstrated. The main shortcoming in the current situation is that the available indicators are concentrated in certain aspects of empowerment, such as corruption, the rule of law, civil liberties and political rights, whilst other dimensions are barely covered or not at all, such as decentralization, and building social capital.

The indicators drawn from non-Bank sources, such as Freedom House, Transparency International, ICRG, etc., have been in existence for many years and in all likelihood will continue to be available in the future on an annual basis. Four of the 12 priority empowerment indicators proposed in this paper come from these external sources.

The main World Bank data sources are the Governance Data Base and WBES/BEEPS. The Governance Data Base consists of two rounds of data collection, 1997/98 and 2000/01, and has six very useful indicators for monitoring empowerment. Four of these were included in the priority indicators. The main strength of this data base is the comprehensiveness of its sources and the econometric aggregation procedure.

In order to complete the assessment of empowerment by means of the 12 priority indicators, the two top priorities for data collection are decentralization and social capital.
In addition, the empirical assessment of empowerment would benefit from data collection on the following five issues:

- Extent to which government spending benefits the poor.
- Extent of merit-based recruitment and compensation in the public sector.
- Extent of oversight of the executive branch by the legislative branch.
- Availability of government information to the public.
- Differences by gender, ethnic group, or other socioeconomic category in economic outcomes and access to services.

These recommendations add up to an ambitious agenda for strengthening future data collection. Efforts will be needed to enhance the collection of empowerment indicators at the national level, the community level, and the household level.

At the national level, the priority is to improve the collection of administrative data. First among those are the government accounts which need to be made more transparent in showing financial inflows and outflows.

Data at the community level are essential for monitoring multiple aspects of empowerment such as decentralization, participation in local elections and local decision making, and the functioning of local associations and NGOs.

Lastly, while household surveys have been the prime source of data on poverty and well-being, they have so far only played a small part in monitoring empowerment. This role can be enhanced significantly, especially in the area of social capital. The best approach here is to design specific modules to be added to living standards surveys or household income/expenditure surveys. An example is the Social Capital Integrated Questionnaire (SC-IQ), which contains modules on structural and cognitive social capital, collective action, information and communication, social cohesion, and empowerment (World Bank 2002c).
REFERENCES


