

# INTRODUCTION TO **J-PAL'S GOVERNANCE INITIATIVE** AND EXECUTIVE SUMMARY OF THE GOVERNANCE REVIEW PAPER



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TRANSLATING RESEARCH INTO ACTION



## INTRODUCTION TO J-PAL'S GOVERNANCE INITIATIVE

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### FROM EVIDENCE TO POLICY



Every year governments around the world spend billions of dollars providing their citizens with basic services such as drivers' licenses and policing, and development programs like free health centers and primary schools. Many foundations and international aid organizations also channel their development dollars through government-run programs.

Good governance underlies the effective implementation of almost the entire development agenda - so there is a clear need for proven, effective ways to improve its quality. Until recently, however, we lacked rigorous evidence on both the drivers and impact of participation on governance and on the extent of corruption and its consequences on policy and program effectiveness. This is for several reasons. The illicit nature of corrupt activities and other forms of leakages makes data on the extent of misgovernance hard to obtain - and obtaining causal evidence on the persistence of poor governance requires the researcher to find ways to disentangle several channels of influence.

J-PAL's Governance Initiative (GI) responds to the fact that recent advances in data collection methods and increasing use of field experiments has made it possible for researchers to address these challenges and undertake feasible and relevant policy-oriented research on governance..

Recent advances in data collection, which include improved methods of quantifying participation and leakages, now enable the creation of sophisticated microeconomic measures of misgovernance. Furthermore, field experiments allow researchers to provide direct causal evidence on the drivers of good governance. Many of these experiments are run in direct collaboration with governments, NGOs and funders - making subsequent incorporation of their results in policy more likely.

GI will fund field experiments to identify innovative and cost-effective ways to improve governance. GI will work closely with governments, NGOs, foundations and international development organizations to disseminate the policy findings from this research and to promote the wide-scale adoption of successful programs and policies.

As the first step, GI conducted an extensive literature review to document the research that has already been undertaken and what policies have been found effective in improving governance in developing countries around the world. The Governance Review Paper that followed from this exercise has identified an agenda for future research that can help build a better bridge between practical experiments and underlying economic theories, using trials to test theoretical predictions and thereby strengthening our theoretical understanding of the underlying issues. The following pages provide an executive summary of this Governance Review Paper including a brief outline of the existing literature and a key agenda for future research to be funded by GI, followed by details of GI's plans to translate this agenda into actual field research, and to use this research to influence policy.





Governments around the world spend billions of dollars annually to provide basic services and development programs aimed at improving the lives of those living in poverty. At the same time, a large number of foundations and international aid organizations channel their development dollars through government-run programs. But the effectiveness of such public spending is often compromised by a number of connected factors: policies that do not reflect the needs or wishes of the people, leakages due to corruption, lack of community participation, and poor oversight of public spending.

Despite the crucial importance of good governance for development, many questions about how to effectively improve governance remain unanswered. Researchers working on field experiments to evaluate programs and policies can provide crucial insights to

policymakers on how to improve governance. The value of experimental evidence is likely to be particularly high when it provides clear tests of hypothesized channels of influence.

As a response to this need, this Governance Review Paper summarizes empirically rigorous evidence on governance issues in low-income countries and identifies new directions for research. The objective is twofold: to provide information about how to improve participation in the political and policy processes and reduce leakages in public programs, and to identify gaps in the governance literature which researchers within the Governance Initiative (GI) will seek to fill.

## METHODOLOGY

The literature review began with the Co-Chairs of GI identifying research areas that have been influential in the field of governance in the economic and political science literature. Within these areas the research team did an extensive keyword search in the top economics and political science journals and reviewed the papers. Sources for the keyword search included journals in economics and political science, and unpublished working papers presented at conferences or available through universities and top research centers.

From this range of publications, we selected the subset of papers that presented empirical evidence on the topic of governance and addressed the issue of causal relations in what we judged to be a reasonably effective way, given modern standards of empirical work. The main criteria for inclusion in the Governance Review Paper were that the papers should present studies that provide empirical evidence on the causes and consequences of poor governance in low-income countries, based on a “rigorous empirical identification strategy.” We included both randomized and non-randomized studies and made particular effort to include studies that provide causal evidence on why poor governance exists and persists, and what can be done about it. This reflects the ultimate focus of GI on supporting empirical research. That said, papers that provide a theoretical rationale for empirical tests were prioritized.

This literature review seeks to provide clear guidelines to improve governance on developing countries and highlights open research questions on these issues. As the work under GI progresses and more gaps are filled, the Governance Review Paper will be updated to reflect the latest research on the drivers of good governance.

## WHAT DO WE MEAN BY GOVERNANCE?



We recognize that the term “governance” means different things to citizens, researchers, and policymakers; indeed, there is great diversity in the research domains that are considered governance research. We will not attempt to capture all such areas in this Governance Review Paper, nor attempt to build false links between them. Rather, we cast the problem of good governance as a two-part principal-agent problem. In the first part of the problem, the principals are the citizens, who vote to elect as their agents, politicians, whose job is to enact policies that are in line with the voters’ interests. In the second part of the problem, politicians become principals themselves, who must in turn work with their agents, civil servants, and other service providers to actually implement those policies.

In the developing world, both of these links—the link between the electorate and the politicians they select, and the link between stated government policy and the civil servants that enforce it—are frequently weak. When citizen control over politicians is weak, the results can range from politicians directing state resources to connected firms (e.g. Khwaja and Mian 2005) to politicians implementing programs that in their original design are cost-effective, but in the presence of corruption are not (e.g. Olken 2006). When control over civil servants is weak, the results can range from public works officials stealing funds (e.g. Olken 2007) to teachers and nurses who rarely show up to work (e.g. Kremer et al 2005 and Banerjee et al 2008).

This Governance Review Paper focuses on each of these principal-agent problems in turn as key areas of research. First, how can citizens exercise greater control over politicians and policy through elections and participatory institutions? Second, which incentive schemes and institutional features can encourage civil servants to do their jobs properly, without leakages? In each of these areas, we review the state of knowledge as it exists today and, in doing so, identify what we believe are the key gaps in knowledge and priority areas for research.

## CITIZEN INFLUENCE OVER POLICYMAKERS

The first step of the principal-agent problem we consider is how citizens influence government decision-making. Citizens can participate in democracies as voters, leaders, community members, or representatives of groups, such as unions. While participation is widely considered a primary means of empowerment in democratic societies, there is little empirical evidence on how participation actually influences policy, and how any such policy changes impact the lives of citizens. We begin by examining the open questions on the impact of participation, and then turn to questions about how best to improve participation in meaningful ways.

1. Corruption is widely understood as “the misuse of public office for private gain.” For our purposes, we use the word corruption as “incidents where a bureaucrat (or an elected official) breaks a rule for private gain.” This broader definition would include the most obvious type of corruption – a bureaucrat taking an overt monetary bribe in order to bend a rule, but also encompass more nuanced forms of bureaucratic corruption including nepotism to favor a family member rather than issue a competitive bid. We use the word “leakages” to not only include this broad definition of corruption, but also to include other acts that are sometimes not seen as corruption, but nevertheless lead to a loss of public funds or create inefficiencies in the delivery of public goods and services. Examples include unauthorized absenteeism of government staff while still collecting a paycheck, needless delays in providing public services, and a lack of sufficient effort towards final outcomes.

## THE IMPACT OF CITIZEN PARTICIPATION

The presumption of democratic governance is that citizen participation in decision-making processes – as voters, politicians, and members of local communities– makes the electorate and polity more representative of the society, aligns policies better with citizens’ preferences, and ultimately results in better outcomes for the citizenry. We examine potential impacts of citizen participation on three dimensions: policy choices, economic growth, and citizen satisfaction.

### 1. Impact on Policy

**PARTICIPATION AS VOTERS:** The most basic question about participation is this: Does increasing the share of the electorate of a given group mean that policy preferences better reflect that group’s preferences? While an answer to this question in the affirmative seems intuitive, and while evidence from the expansion of suffrage in developed countries many years ago suggests so, the fact that there has long been universal suffrage in many countries without corresponding improvements for disadvantaged groups makes rigorously answering this question challenging.

Increased participation by citizens can also be achieved by decentralizing government to allow more local decision making. The public finance theory of decentralization, dating in economics back to Tiebout (but on some level back to the debates surrounding the U.S. Constitution in the late 18th century) suggests that decentralization is optimal if there is substantial preference heterogeneity, limited spillovers across jurisdiction, and limited economies of scales. Beyond this, there is an argument that having government closer to the people results in better citizen monitoring of politicians. The limited evidence we have on decentralization in the developing world supports several of these predictions: there is some suggestive evidence that local elections in China, for example, limited the enforcement of unpopular policies, though there is evidence this channel is less effective when there is substantial heterogeneity within the population. Developing a better understanding of the advantages and downfalls of the empirical impacts of decentralization is an important area for future research.



**PARTICIPATION AS LEADERS:** A second mechanism for ensuring that the preferences of marginalized groups are translated into policy is to directly ensure their presence as leaders by instituting electoral quotas that guarantee a minimum number of elected positions to such groups. This is one of the few areas influencing participation where we do, indeed, have rigorous evidence. Research using random allocation of quotas demonstrates that leader identity influences policy outcomes: quotas do shift policy outcomes to favor the priorities of the disadvantaged groups. Quota-induced exposure to leaders from initially underrepresented groups can also change voters’ willingness to elect candidates from these groups, even when the seat is no longer reserved. The efficiency consequences of such quotas and their impacts on long-run candidate entry and

party dynamics remain important areas for research. More broadly, we know from both micro- and macro-evidence that leaders matter, but we know relatively little about what makes for good and bad leaders.

**COMMUNITY PARTICIPATION AS MONITORS:** A third type of participation is that of communities in the monitoring process. We have several randomized studies in this area, but no clear pattern has yet emerged in the results. For example, community monitoring was amazingly effective in health centers in Uganda, completely ineffective for education in India, and effective only under some circumstances in limiting corruption in road building in Indonesia. Evidence suggests that details about the design of community participation programs and the context in which they are implemented are critical factors in determining whether and how these programs affect final outcomes. Which mechanisms influence the success of community monitoring, and how those mechanisms are determined by contexts and conditions, remain important questions for future work.

## 2. Impact on Growth

While it is difficult to assess the impact of greater participation on policy, it is even more difficult to establish a relation between increased participation in decision making and economic growth. Not surprisingly, the evidence here is mixed. While some argue poor countries can implement good policies regardless of their institutional arrangement, others suggest that democratization is associated with higher growth. Similarly, the macro institutions literature demonstrates that historical choice of institutions casts a long shadow over current policies and limits the influence of citizen participation and voting. According to this view, the introduction of democracy per se is unlikely to influence growth. Overall, the channel of influence from citizen participation to growth, which the macro literature has been unable to clearly identify, is an important area for future research.

## 3. Impact on Satisfaction

Irrespective of the impact on policy outcomes, an alternative justification for democratic forms of governance is that it leads to greater satisfaction in the citizenry about the government. Recent experimental literature confirms this idea: improved citizen participation in decision-making processes increases citizens' satisfaction, regardless of whether policy actually changes. On the other hand, evidence collected in the context of electoral quotas for women in India suggests that citizens' satisfaction can reflect their biases about who are appropriate leaders rather than measure leader performance. These results might lead us to ask how information about policy outcomes influences citizen satisfaction with the process, and what the links between leader performance and satisfaction are.

### KEY OPEN QUESTIONS

*From our review of the literature, we have identified the following as particularly fruitful questions for ongoing research.*

#### Participation and Policy

##### **As Voters:**

- Does decentralization of policymaking change (i) the nature of citizen participation, (ii) policy outcomes, and (iii) electoral accountability?
- How do voters trade off preferences for competent or honest politicians with redistributive preferences? How can institutional design and information about available policies alter these trade-offs?

##### **As Leaders:**

- Which qualifications or characteristics of leaders influence the efficiency of policymaking?
- How do selection procedures influence leader choice and therefore policy?

##### **As Community Members:**

- How does the institutional structure of community monitoring determine its impact on policy?
- Are some programs and policies more amenable to being monitored by the community vs. others?

#### Participation and Growth

- Does greater democratization increase growth?
- How do leaders influence growth outcomes?

#### Participation and Citizen Satisfaction

- Does information about policy outcomes influence citizen satisfaction with the process?
- Are attitudes toward leaders influenced by performance information?
- What are the links between leader performance and satisfaction outcomes?



## WHAT DETERMINES CITIZEN PARTICIPATION?

### THE ROLE OF INSTITUTIONS, DEMOGRAPHICS, AND INFORMATION



A growing literature suggests that weak institutions have been an important colonial legacy for many low-income countries. Elite capture of democratic institutions can create a barrier between citizen participation and actual policies, impede economic growth, and damage people's satisfaction with the process. The public's belief that certain influences – weak institutions, demographic factors, and limited information flow – will constrain the positive impacts of citizen participation may lead to a general skepticism that it is a viable way to improve governance.

#### 1. Electoral Malpractice and Entry Barriers

In many low-income countries, the colonial legacy has led to weak democratic institutions. These weak institutions can undermine voter participation by creating high barriers to entry in politics and by allowing for electoral malpractices, including vote buying, voter violence, and false voter registration. Undermined voter participation in turn leads to selection of poor quality politicians, reduces incentives for elected politicians to perform well, and creates a disconnect between voter preferences and implemented policies. The limited evidence we have suggests that these problems may be severe – a recent study of Nigerian voters, for example, found that almost 20 percent had experienced vote-buying and 10 percent had experienced electoral violence. There is even less evidence on how to ameliorate these problems—there are a few randomized experiments that examine ways of reducing barriers to voter registration, and one experiment on reducing electoral violence in Nigeria—but these barriers remain an important area for future research.

#### 2. Demographics

Ethnic diversity can constrain political participation due to mistrust of candidates who might distribute public goods to other groups or areas. Most studies show a negative relation between ethnic diversity and local investment, public good provision and, ultimately, growth. However, a concern with this literature is the researchers' limited ability to control for unobservable regional characteristics that vary alongside ethnic diversity. Similarly, there are mixed results from research on impact of gender, education, and socioeconomic factors on political participation and whether policy can change this impact. Finally, there is some evidence that the salience of these identities can be manipulated. For instance, in parts of sub-Saharan Africa, identification with ethnic groups increases during election time, causing voters to focus more on candidates' ethnic identity than their qualifications or past performance.

#### 3. Information

Limited information can exacerbate the negative impacts of weak institutions and ethnic diversity. When citizens lack information about candidate quality or achievement, they may be forced to vote based on observable characteristics such as ethnicity and gender, which in turn may reduce electoral accountability (in terms of, say, competence). The extent to which prospective information provided by electoral campaigns impacts participation is unclear, however experimental evidence shows that retrospective information on politician performance provided by independent sources can increase voter participation and electoral accountability. Yet we still know little about how parties and other political actors respond to greater information availability, and how disclosure laws should be structured to avoid biasing voters against incumbent candidates.



## KEY OPEN QUESTIONS

### Institutions

- How can elite capture of electoral processes be constrained in low-income settings?
- What are the strategic responses of political actors to transparency initiatives during elections?

### Demographics

- When and how does ethnic diversity worsen collective action and policymaking?
- How can institutional design reduce the impact of demographic identities?
- How does institutional design of elections and community programs influence entry?

### Information

- How do parties and other political actors respond to greater information disclosure?
- How should disclosure laws be structured? Is there an anti-incumbency bias built into such laws?
- Does the form of information provision influence voter responsiveness?

## IMPROVING GOVERNMENT EFFECTIVENESS AND REDUCING LEAKAGES

Although anecdotal evidence suggests that poor quality government services, as well as outright corruption, are a significant governance concern in the developing world, there are remarkably few reliable estimates of the actual magnitude of leakages from the public sector, and the credible estimates we have are surprisingly heterogeneous. Moreover, just knowing the magnitude of leakages does not inform us about how serious the problem is from an economic perspective—the efficiency costs may exceed the extent of direct losses in several ways. Poor quality government services, leakages and corruption can raise the marginal tax rate of firms; decrease business activity; raise the marginal costs of public funds, making certain government projects economically unviable; or undo the government’s ability to correct externalities, thus leading to inefficient outcomes. Effective policies to improve government services, reduce leakages, and mitigate corruption must ensure not only that they solve the direct problem, but that they do so in a way that increases economic efficiency and is sustainable in the long run.

### HOW BAD IS THE PROBLEM, REALLY?

Despite frequent discussion of the issue, there is surprisingly little hard data on the quality of government service provision, and in particular leakages and corruption. Due to the difficulty in measuring illegal activity, until recently, most estimates of corruption were based on surveys of perceptions of corrupt activity. Evidence suggests that these estimates are often inaccurate due to the inability of most people to estimate fraudulent quantities of inputs in public projects, heterogeneous impacts of people’s educational and other characteristics, and the lack of information or a free press.

Economists have increasingly focused on direct measures of leakages. A variety of empirical methods have been developed, including surveys of bribe payment, direct observation of corrupt activity, comparisons of reported versus actual expenditures or inputs used in government projects, and estimates from market inference. While several credible estimates have emerged, there is still relatively little hard data compared with other development indicators. For example, virtually all countries have regular measurements of government expenditure, GDP, manufacturing, education, health, etc. compiled on a regular basis at the provincial level, and even finer levels of detail. But our knowledge about leakages is still limited to a few cases, with little meaningfully comparable data across countries.



The data that exist suggest a strong negative relationship between income levels and the extent of leakages. However, the causality could go in either direction: it is very difficult to say if low corruption leads to economic growth, or high income levels reduce the amount of corruption in a country. Even among countries at similar income levels, or within countries, there is still a marked amount of heterogeneity in corruption levels. For example, a study in Uganda estimated a leakage rate of 87 percent in education block grants; a study in Indonesia showed that missing expenditures in a road project averaged 24 percent of the total cost of the road; while in Mozambique bribes represented 14 percent of total shipping costs for standard containers. Similarly, in a study of six countries, absenteeism rates for health workers ranged from 25 percent in Peru to 40 percent in India. Likewise, within India, teacher absenteeism ranged from 15 percent in Maharashtra to 42 percent in Jharkhand.

### KEY OPEN QUESTIONS

- How much corruption would we measure if we could construct an unbiased sample?
- Why does corruption appear lower in richer countries?
- What prevents corrupt officials and political leaders from extracting even larger amounts?
- Are some government functions or programs more susceptible to leakages, and if so, why?

## DOES CORRUPTION MATTER?

### 1. Impact on Firms

It is theoretically possible that corruption simply represents a transfer of money from governments to bureaucrats, and does not necessarily reduce economic efficiency. However, empirical evidence suggests otherwise. At the firm level, the cost of paying bribes can be regarded as an additional tax that may distort the way that businesses choose to operate. Research in Uganda suggests that bribes may have as much as three times more negative impact on firms' growth than do taxes. Moreover, indirect effects, such as uncertainty surrounding corruption, can also result in inefficient decisions as firms change their production choices to avoid areas or activities with high corruption. However, the evidence we have on this topic is very limited, and more rigorous evidence of the efficiency cost of corruption on firms is needed.

### 2. Impact on Governments

Leakages have efficiency consequences for government programs via two channels. First, the theft of government resources increases the costs of providing goods and services. Governments may therefore provide less of and significantly lower quality of potentially important services, because the net cost of providing these services is excessive. Second, leakages can create indirect costs if corrupt officials change the structure of programs to make corruption easier and more concealable. These increasingly convoluted programs may induce inefficiencies, which could potentially be larger than the direct cost of the lost funds themselves.

### 3. Impact on Correcting Externalities

Governments structure laws and penalties to correct externalities like the need to keep overloaded trucks and untrained drivers off the road. But if people can bribe police officers or judges instead of paying fines, and if the relationship between the bribe they need to pay and the activity the government wishes to prevent is flatter than under the official law<sup>2</sup>, then the threat of punishment is diminished and people have less incentive to obey the law. Another example would be bribery to bring in (cheaper) counterfeit or out-of-date medicines. This raises the important question of whether governments can or should adjust their behavior to achieve the desired outcomes, despite the presence of corruption.

### 4. Impact on Individuals

Part of the cost to individuals comes indirectly from the impacts described above—the changes to firm behavior, the reduced efficacy of government service provision, and government’s reduced ability to correct externalities. Corruption and leakages can also affect individuals directly, with the impact disproportionately distributed in society.

<sup>2</sup> A flatter relationship means that as the “value” of the offense increases, the bribe increases less than the official fine does.

#### KEY OPEN QUESTIONS

- What is the impact of corruption on firm performance, and why is the impact of corruption higher than the impact of taxes?
- Does corruption cause governments to re-optimize expenditures? If so, do governments shift into lower corruption sectors (to avoid distortions) or higher corruption sectors (to maximize rents)?
- How do the bribes people have to pay to police, judges, etc. depend on the official penalty functions? Given this knowledge, how can the government design the official law to best achieve its desired ends in the presence of corruption?

## HOW CAN LEAKAGES BE MINIMIZED AND GOVERNMENT PERFORMANCE IMPROVED?

Understanding the determinants of leakages and their relative impact is essential to devising policies to reduce corruption. Key determinants include civil servant incentives and the structure of the bureaucracy, external factors (technology, transparency and judicial corruption), and long-term anti-corruption policy.

### 1. Civil Servant Incentives and the Structure of Bureaucracy

Economic theory tells us that corruption is shaped by the incentive structure faced by individual bureaucrats, including methods of selection, compensation, monitoring (probability of detecting corruption), punishment for the corrupt, and incentives for better performance. Despite the importance of these channels, there is relatively little evidence on how they affect actual performance, particularly with respect to selection of civil servants, wage levels, and output-based incentives.

Monitoring (including government audits) and punishments have been shown in a small number of studies to be effective at reducing corruption, even in a highly corrupt environment where those doing the monitoring are themselves susceptible to corruption. Yet we know little about whether monitoring by government auditors would work in the long term if they had more of an opportunity to form corrupt relationships with those being monitored.



Evidence on the efficacy of community-based monitoring is mixed, and we do not fully understand why it works in some cases but not in others. Combining monitoring and well-defined outcomes with explicit monetary incentives could also be effective in reducing leakages, though there is little evidence on this. An important challenge is how to determine optimal incentive structures in cases where the policy output is hard to observe. For example, in the case of police officers, where the goal is to discriminate between the innocent and the guilty, a reward system based on the number of citations issued would not effectively incentivize accuracy.

Changing the structure of a bureaucracy can also reduce corruption and improve positive outcomes via two channels. Simplified regulations lead to decreased opportunities for corruption and can lead to increases in new businesses and wage employment. Economic theory also suggests that setting up structures to encourage competition between bureaucrats can drive down corruption levels, though there is little rigorous evidence testing for this idea. Understanding how these strategic interactions affect the welfare of those trying to access public goods is a key question for governance research.

## 2. External Factors:

Another approach to tackling corruption is to change external factors that are beyond an individual civil servant's control—for example, using technology to ensure that certain procedures are followed, or by increasing the transparency of their activities to provide information quickly and accurately to supervisors or other stakeholders.

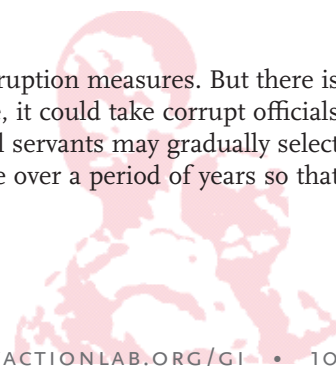
**TECHNOLOGY:** A variety of programs using technology for monitoring purposes (GPS systems, cameras, biometric captures and wireless transmission of data) are currently being piloted in the developing world. However, evidence suggests that these technologies are only as effective as the systems which process their information. If there are weak incentives based on the information returned, or the incentive scheme is poorly designed, then technology can have little effect on corruption. More research is necessary to examine how the effectiveness of these technologies changes when they are used on a larger scale, and what pitfalls must be avoided in implementation.

**TRANSPARENCY:** Transparency can also enable citizens to do a better job at monitoring the performance of the government and civil servants. Recent micro-level studies have suggested that freedom-of-information provisions and information on entitlements of citizens can increase investments in public goods and access to public benefits. However, more transparency may not have a beneficial impact. For example, making information about politicians publicly available could undermine privacy and discourage qualified candidates from participating in politics. Despite the focus of so much international advocacy on macro-transparency, there is very little academic literature on how increased transparency at a high level on issues such as the public budget and natural resource extraction will impact politicians and the policies they choose to implement.

**JUDICIARY:** Judicial corruption poses a tremendous challenge because the judiciary is a key component in the efforts to fight all other types of corruption. If judges or prosecutors are corrupt, then it will be difficult to impose punishments (other than administrative sanctions) against other corrupt officials, since they can bribe the prosecutors or judges and avoid punishment. Judicial corruption can also have important efficiency implications for civil contract enforcement. If judges are bribable, then in the event of disputes, contracts will be awarded to the party that is able to bribe more. Despite the importance of judicial corruption, there is very little rigorous literature on the topic either in terms of its consequences or how to control it. Indeed, there is relatively little empirical literature on courts in developing countries at all, with most focusing on the effect of delays.

## 3. Anti-Corruption Policy in the Long Run

Much of the evidence in the governance literature pertains to the short-run effects of anti-corruption measures. But there is ample evidence that suggests that the long-run impacts could be quite different. For example, it could take corrupt officials time to learn how to manipulate a new system. Alternatively, a new, less corrupt group of civil servants may gradually select into a less corrupt system. More research is needed into exactly how these systems can evolve over a period of years so that anti-corruption policies and systems persist in the long run.



## KEY OPEN QUESTIONS

### **Civil Servant Incentives and the Structure of Bureaucracy:**

#### Compensation, Selection and Other Incentives

- Do higher wages reduce corruption? If so, is it due to selection effects, efficiency wages, or because honesty is a normal good?
- When are government enforcers (auditors, police, prosecutors, anti-corruption staff) effective at reducing corruption, and when do they themselves become corrupt and only add to the problem?
- Are there multiple equilibria in corruption due to differing circumstances? If so, what causes these, and can temporary corruption crackdowns have permanent effects?
- Can output-based incentives for government officials such as police and tax inspectors reduce corruption, or will they lead to over-enforcement and extortion?
- What are the possible selection and promotion criteria to reduce the propensity of civil servants to be corrupt?
- How can community-monitoring programs be designed to be more effective in monitoring civil servants? Why do they work in some cases but not others?
- Can non-financial motivations, such as shame, intrinsic motivation, and mechanism to internalize the greater good, reduce corruption?

#### Structure of Bureaucracy

- Can changing the structure of the bureaucracy to encourage competition between government officials lower bribes?
- What is the nature and extent of the trade-off between the need for regulation and lower corruption?

### **External Factors:**

#### Technology

- Can using technology to reduce the discretion of government agents reduce corruption?
- Can using technology as a monitoring tool reduce corruption?
- Can using technology as an information-sharing tool reduce corruption?

#### Transparency

- Does transparency encourage government officials to be less corrupt?
- Does transparency enable citizens to monitor more effectively?
- What types of information releases are more effective in reducing leakages?

#### Judiciary

- What are the impacts of judicial corruption on economic efficiency?
- How can the extent and effects of judicial corruption be measured?
- What approaches work best in reducing the levels and efficiency costs of judicial corruption?

### **Anti-Corruption Policy in the Long Run:**

- How can corruption be effectively combated in the long run?
- How can the impacts of anti-corruption programs be made to persist in the long run?
- How can clean governance and anti-corruption values be made intrinsic among civil servants?





GI will leverage the strength of JPAL's network of affiliated professors from universities around the world and fund field evaluations of programs that significantly advance our knowledge of Governance, ensure the highest quality research and have strong and automatic linkages to policy outreach. This will be possible because:

1. GI's funding will be directed towards research that is demand-driven, based on the priorities identified by the Governance Review Paper.
2. GI's institutional continuity, in the form of an underlying Governance Review Paper that sets the research agenda for the next few years, Co-Chairs who understand the research and policy frontiers of governance well, and reviewers from a diverse set of organizations working in the governance field, will ensure that GI funds projects build upon learning from one year to the other and that the body of knowledge on governance is built in the most effective way possible.
3. The evaluations funded by GI will be of the highest quality because:
  - i. On each project, at least one of the co-PIs will be an academic affiliate of J-PAL, chosen by peers for the quality of their research.
  - ii. As part of the review process, selected projects will receive comments and feedback from some of the top experts in Governance, both researchers and policymakers.
  - iii. Proposals funded by GI will be automatically eligible to run their projects through J-PAL and IPA's regional offices, which have a large number of experienced professional research staff in the field to help implement the projects on a day-to-day basis.
4. J-PAL's dedicated Policy Group will work to create cost-effectiveness analysis to compare various alternative interventions when available. These will help structure the debate at development organizations on issues around measurement of governance and on the impact of governance interventions.
5. The Policy Group will also help disseminate the results from GI funded evaluations through policy publications, networking and conferences, and, if a project is found successful, will assist scale up by identifying local partners and guiding them. The current lack of scale-up support is one of the key reasons why many promising research results never get translated into meaningful impact on the ground.

GI co-chairs are Iqbal Dhaliwal J-PAL's Director of Policy, Professor Ben Olken of Massachusetts Institute of Technology, and Professor Rohini Pande of Harvard University. GI is funded by The William and Flora Hewlett Foundation and the UK Department for International Development. For more details, please email the Initiative Manager Cristobal Marshall at [cmarshall@mit.edu](mailto:cmarshall@mit.edu). For more details about the Initiative, the Request for Proposals (RFPs), the research projects funded, and policy outreach visit [www.povertyactionlab.org/GI](http://www.povertyactionlab.org/GI).