*Chapter 3*

# Institutions to make the state deliver in Latin America and the Caribbean

This chapter puts forward recommendations and highlights ideas and best practices that can guide policy makers in redesigning the institutional framework of the state in Latin America and the Caribbean. It is divided into four parts. The first one analyses the importance of improving the rule of law to overcome some of the main challenges for building inclusive institutions in a context of policy capture, corruption, criminality and impunity. The second section analyses the administrative capacities that need to be strengthened to make states more efficient and effective to deliver their functions. The third part focuses on modernising states by making them more innovative and fostering the connection with citizens through open government initiatives. The final part gathers the main conclusions and policy recommendations for the region.

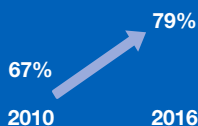# Institutions to make the state deliver in Latin America and the Caribbean

## Weak institutions with weak capacities in LAC

### Rule of Law

87%
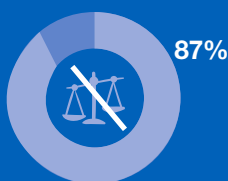
**87%** of countries in LAC **score negatively** on the Rule of Law Index

### Perception of corruption

67% 2010

79% 2016

**79%** of Latin Americans find their government **corrupt**, 12 percentage points higher than in 2010

### Civil Service Merit

+12

LAC **increased its merit score from 33 to 45** (on a scale from 1 to 100) between 2004-15 on the Civil Service Merit Index
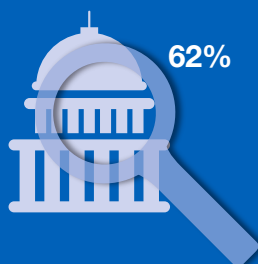
### Women

The share of **women** in ministerial or leadership positions barely reaches an average of **23.8%**

## New government tools are being adopted to make governments more open and transparent
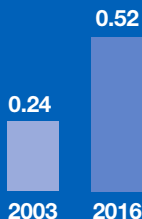
### Open government

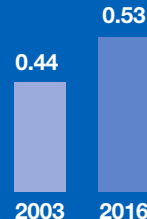**62%** of LAC countries have adopted **national strategies on open government**

62%

### E-government / E-participation

Both **E-government and E-participation indexes** scaled from 0 to 1 show that **performance in LAC countries improved**

E-participation Index

0.24 2003

0.52 2016

E-government Index

0.44 2003

0.53 2016

Latin America and the Caribbean (LAC) is characterised by a growing disconnection between citizens and the states. After more than a decade of socio-economic progress, recent years have been marked by a decline of trust in public institutions, a growing dissatisfaction of society with public services and a significant transformation of citizens' aspirations and social preferences. And all this in a rapidly changing global context, with new challenges and opportunities that are also shaping social expectations and perceptions, and represent another source of potential disconnection with public institutions.

This disconnection is to a large extent explained by the challenges faced by states in LAC. This is why institutions need to be rethought, to help states overcome failures, deliver their functions and better respond to citizens' evolving demands. States in LAC face different inter-related barriers that prevent them from fulfilling these objectives. First, groups and private interests interfere with the functioning of the state, often diverting it from serving the general public interest. Second, institutional capacities are generally weak. This is one of the main impediments to a well-functioning public sector and that favours the capture of public policy by private interests. And third, states usually lack strong channels of interaction with society, thus making it more difficult to understand citizens' demands. At the same time, states do not have mechanisms to innovate in the search for new responses to evolving aspirations.

This chapter argues for rethinking institutions to favour a state that delivers on its basic functions and services for citizens. In so doing, institutions would be better positioned to respond to the demands of society with the ultimate objective of rebuilding the social contract and promoting well-being for all.

First, the chapter argues that institutions in LAC need to be oriented towards building states that are more trustworthy, are based on stronger guarantees of the rule of law and that promote fair competition. The rule of law, and civil and property rights, are pillars of democratic institutions. They help prevent the spread of detrimental conduct such as elite capture, crime, corruption and impunity, all of which are serious problems in the LAC region.

Second, LAC states need to strengthen their administrative capacities. Governments need an effective bureaucratic arm with efficient procedures that can quickly adapt to changes in order to deliver its services. These improved capacities rely on the ability of states to recruit and attract competent and qualified civil servants. They also depend on governments' ability to upgrade management policies to develop long-term strategic plans and to co-ordinate across levels of government and across sectors, among other factors.

Third, public sectors need to be more innovative and responsive to growing demands and expectations. States must develop capacities for the effective use of information and communication technologies (ICTs) as a priority when rethinking institutional responses in the LAC region. Incorporating this vision requires developing the right incentives and regulations that allow experimentation and risk-taking. Moreover, modern states should profit from new technologies to deliver citizen-centric services and anticipate new demands. In this respect, digital tools have the potential to revamp public services. Streamlining or process redesign can make services accessible, effective, efficient and simple to use. In parallel, civil society can be empowered to have an oversight role of anti-corruption measures and the public policy cycle. This requires opening government channels of participation that strengthen the democratic process in the region.

The final section presents a set of conclusions and summary of policy recommendations to respond to these challenges.

## Towards trustworthy states: strengthening the rule of law and regulatory systems

LAC's history sheds light on the emergence of early political, social and economic institutions in the region. Its initial institutions were arranged to be extractive monopolies to exploit local natural resources through labour-force coercion and provide benefits and protection to small groups or elites. These events sowed the initial seeds of mistrust in institutions among local populations. Independence movements that severed ties with foreign countries to create states did not reform these institutions to serve citizens. Rather, they preserved the interests of established elites through the use of force, perpetuating inequalities throughout the region (Nunn, 2009; Acemoglu, Johnson and Robinson, 2001; Acemoglu and Robinson, 2012).

The post-independence period was one of political instability that prevented the proper development of democratic institutions. The 20th century saw the rise and fall of authoritarian, oligarchic or military regimes, in which public entities served rent-seeking and clientelistic behaviour. These events, however, paved the way for the rise of newly democratised public institutions (Brinks, 2008).

The consolidation of democracy strengthened the relationship between citizens and the states through free elections. The possibility of alternating political power in government gives individuals the power to punish corruption and diminish the capture of states by elite groups by offering an equal space of participation. Since democracy is based upon the existence of checks and balances between state powers, strengthening the tools and institutions to enforce these principles effectively is fundamental. The executive branch should act autonomously and respond to people's demands through policies and programmes. Likewise, the legislative body should independently set the rules and norms that regulate the actions of society, including those by citizens, public servants and politicians. Finally, independent legal institutions that can enforce the rule of law effectively are critical. This will ensure equal application of the law and the prosecution of wrongdoing within government institutions and society. A well-functioning social contract relies on an effective fulfilment of these three pillars. The rule of law remains the basis for ensuring the respect of law and order throughout society and over time.

### Most countries in LAC show insufficient levels of compliance with the rule of law

The rule of law is the capacity of the state to observe and enforce formal rules (i.e. laws) in an impersonal and systematic manner to government actors and citizens alike (World Bank, 2017a). Formal rules represent a central part of the institutional framework needed to support inclusive growth. They are mainly structured around constitutions, which are the higher-level rules that provide the overarching contract between the state and citizens. Updates and amendments to the constitutions proliferated in LAC after the wave of re-democratisation in the region 30 years ago (Brinks, 2008). States were reorganised into formal institutions that respected the separation of political and territorial powers, and the establishment of checks and balances. As a complement to constitutions, a set of core and auxiliary laws shape the institutional framework. These laws govern legal and economic interactions between and among individuals and the state.

The rule of law is a core pillar for modern states. As a critical component for economic development and effective and trustworthy states, the rule of law supports both social relations and the relationships within state institutions themselves (O'Donnell, 2001). In this respect, a state that enforces the law is essential for guaranteeing an enabling environment for good governance and economic growth. Also, the law serves three critical governance roles. First, the law defines the structure of government by

delimiting its power – that is, establishing and distributing authority and power among the states' institutions, between the state and citizens, and among citizens. Second, laws and their appropriate institutions normalise interactions among individuals, shaping them to achieve economic and social outcomes. Third, the law provides substantive and procedural tools needed to promote accountability, resolve disputes peacefully and develop mechanisms to overhaul existing rules. Yet the existence of a set of formal laws does not guarantee their fulfilment (World Bank, 2017a).

The capacity of the state to comply with and enforce the rule of law is directly linked to the strength of legal institutions. These institutions must be able to enforce the division of powers between institutions, preventing them from overstepping their legal mandates. They must also be able to oversee compliance of elected officials and civil servants with legal proceedings and to give equal treatment to all citizens. Finally, they must be able to enforce civil and property rights among citizens.

Most LAC countries show insufficient levels of compliance with the rule of law (Melguizo et al., forthcoming). The majority score below 0 on perception of compliance with the rule of law, illustrated by the *Rule of Law Index* which ranges from -2.5 to 2.5 (Figure 3.1). Only Chile, Uruguay and Costa Rica score positively on this index, which gathers the view of citizens about the quality of contract enforcement, property rights, the police and the courts, as well as the likelihood of crime and violence. The perception about these issues is an indication of the trustworthiness of the state and shows to what extent people believe that institutions can enforce the law, determining their attitudes towards the respect of laws.

Figure 3.1. **Rule of Law Index in Latin American and Caribbean countries and the OECD, 2016**
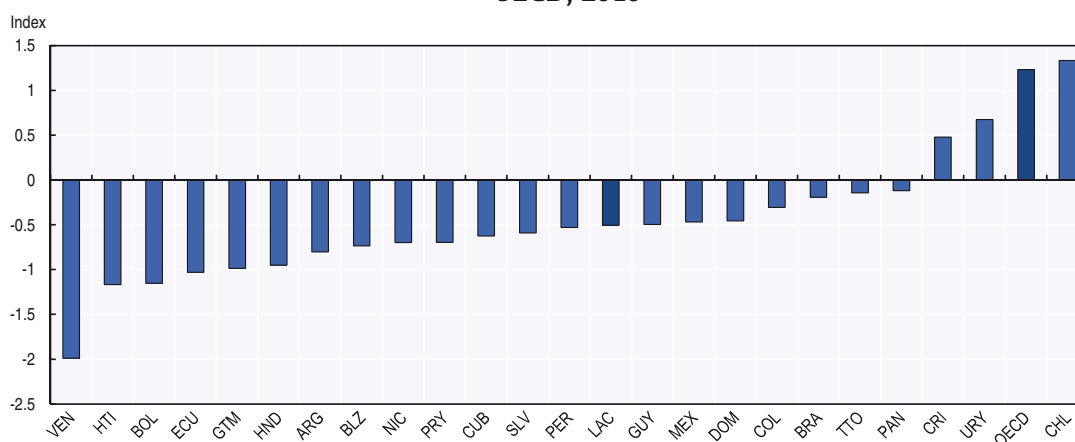


*Note*: Estimate gives the country's score on the aggregate indicator, in units of a standard normal distribution, ranging from approximately -2.5 to 2.5.
*Source*: OECD/ECLAC/CAF based on World Bank governance indicators.
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**The region has weak legal institutions**

Institutional failures directly affect poor enforcement of the rule of law in LAC and divert the state from servicing the public interest. The most salient failures are the large presence of corruption, crime, impunity, as well as the unequal application of the law to specific groups. These are three critical failures that illustrate weaknesses in legal institutions thus in the rule of law: differences in the capacity to influence laws and regulations (policy capture); failure to enforce the law within the state (corruption); and failure to enforce the law among society (crime).

In all of these dimensions, the perception of citizens in LAC is poorer than that of citizens in the OECD (Figure 3.2). Citizens in LAC perceive that interest groups improperly influence regulations and their enforcement (Figure 3.2, Panel A). In fact, when assessing whether individuals can resolve their issues effectively through the civil justice system, many perceive that the government meddles improperly in the delivery of civil justice; this, in turn, might affect the outcome of the ruling (Figure 3.2, Panel B). Both of these indicators can be considered proxies to measure the existence of power asymmetries and the impartiality of the institutions involved in the application and enforcement of the law.

The effectiveness of legal institutions to control crime and to sanction wrongdoings of government officials is also weak in LAC (Figure 3.2, Panels C and D). Based on the *Rule of Law Index* scaled from 0 to 1, the LAC region scores 0.26 and 0.29 below OECD averages on these dimensions, highlighting the severity of the deterioration on both indicators. There is large heterogeneity in all of these indicators. However, some countries consistently perform at the top, while another group is consistently ranked at the bottom.

Figure 3.2. **Perceptions of legal institutions' effectiveness, 2016**

**Panel A. Government regulations are applied and enforced without improper influence**

**Panel B. Civil justice is applied without improper government influence**

**Panel C. Effectiveness in the control of crime**

**Panel D. Government officials are sanctioned for misconduct**
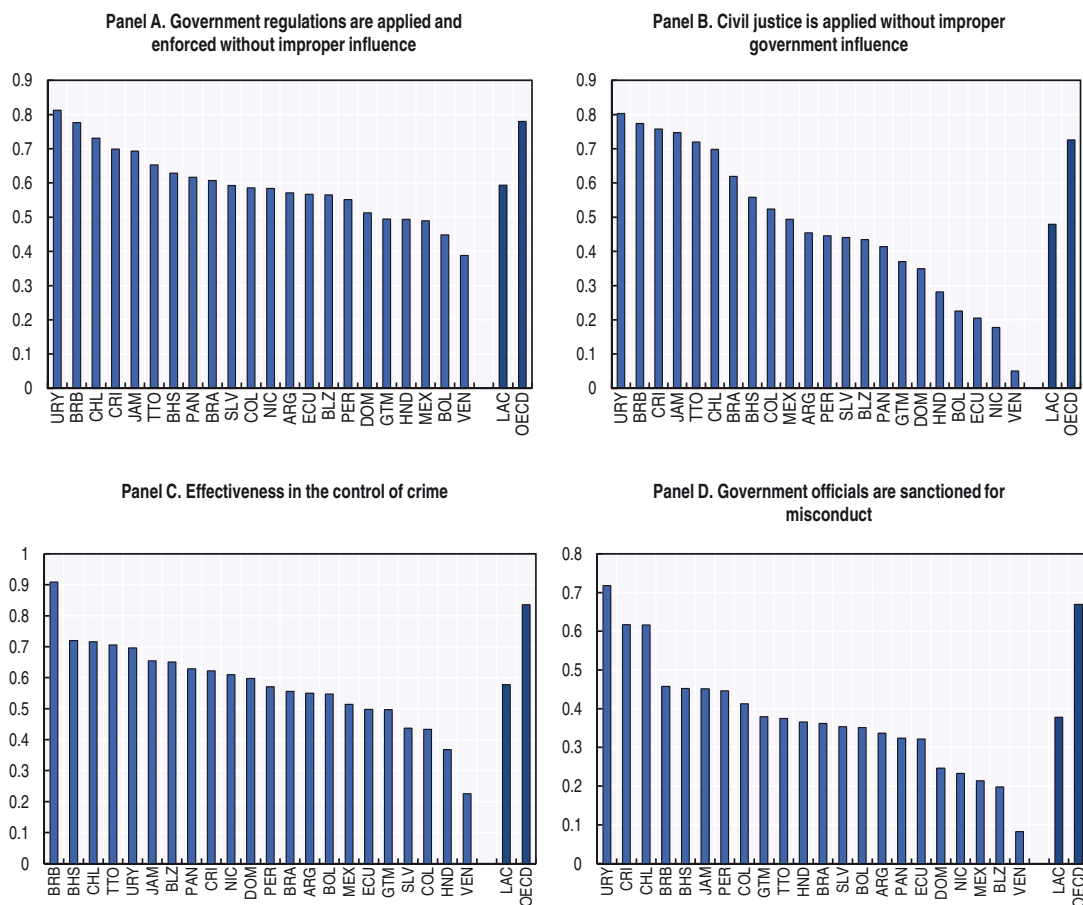


*Note*: Each of these panels represents a component of the Rule of Law Index, 2016. Its scores are built from the assessments of local residents (1 000 respondents per country) and local legal experts. This ensures that the findings reflect the conditions experienced by the population, including marginalised sectors of society. Scores range from 0 (lowest) to 1 (highest).

*Source*: OECD/ECLAC/CAF based on data from the World Justice Project, Rule of Law Index, 2016.

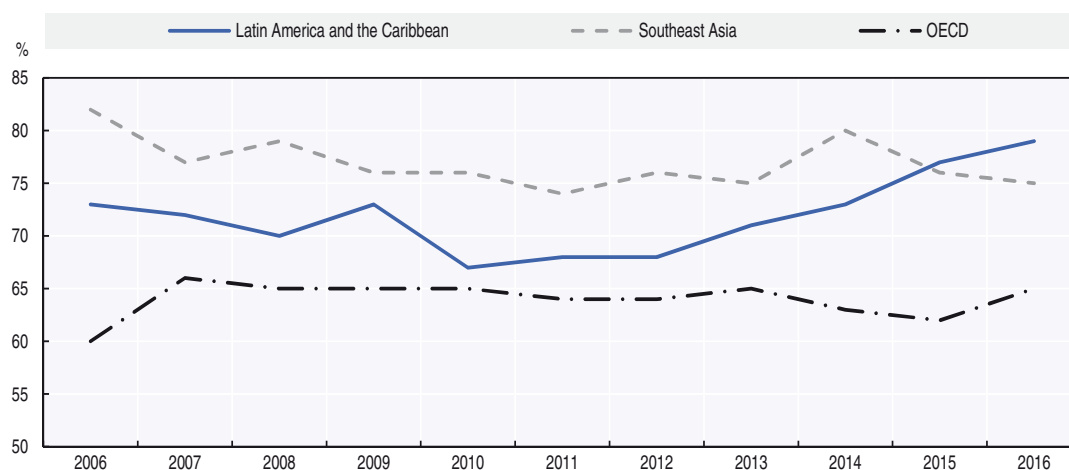StatLink ⟶ http://dx.doi.org/10.1787/888933650798

**Weak enforcement sets the stage for policy capture, corruption and criminality**

The prevalence of weak legal enforcement within formal institutions sets the stage for the capture of policy in LAC. Policy capture is the process of consistently or repeatedly directing public policy decisions away from the public interest towards a specific interest group or person (OECD, 2017a). The existence of interest groups in the political arena within a democracy undermines the effectiveness of policy making. Laws regulate power and by doing so they can limit policy capture. This is especially the case for laws that, when enforced, curtail bribery, illegal lobbying and political financing to sway public policy options.

Policy capture by vested groups has a perverse impact on society and economic growth. These types of practices tend to erode the democratic processes and hinder sustainable economic growth in many ways. Briefly, policy capture leads to misallocation of public and private resources resulting in rent-seeking activities, less efficiency at allocating resources and less productivity. By perpetuating or exacerbating social and economic inequalities, it can lead to blocked reforms or inadequately enforced policies. Policy capture is likely to decrease trust in government. It also entails health, environmental and security threats, e.g. by providing lower-quality services or neglecting safety (OECD, 2017a).

Corruption perception is high in LAC and since 2010, it has constantly increased. It even surpassed the average of Southeast Asia for the first time in a decade. Today, eight out of ten Latin Americans claim that their government is corrupt (Figure 3.3). The 2016 *Corruption Perception Index* also shows LAC as a region where perception of corruption among society is widespread. On a scale from 0 to 100, the region scores 55 points, much higher than average OECD member countries that score 31.

Figure 3.3. **Perception of corruption in government in Latin America and the Caribbean, Southeast Asia and the OECD**



*Source*: OECD/ECLAC/CAF based on Gallup (2017), *World Poll*, http://www.gallup.com/services/170945/world-poll.aspx.
StatLink ⋯ http://dx.doi.org/10.1787/888933650817

The pervasiveness of illegal practices such as corruption critically undermines the rule of law, a core requirement for the effective governance needed to realise full social and economic potential (World Bank, 2017a). Corruption reveals the use of the state and its institutions to gain private advantage. It does so by establishing favourable regulations, curbing competition or illegally appropriating public funds. Corruption
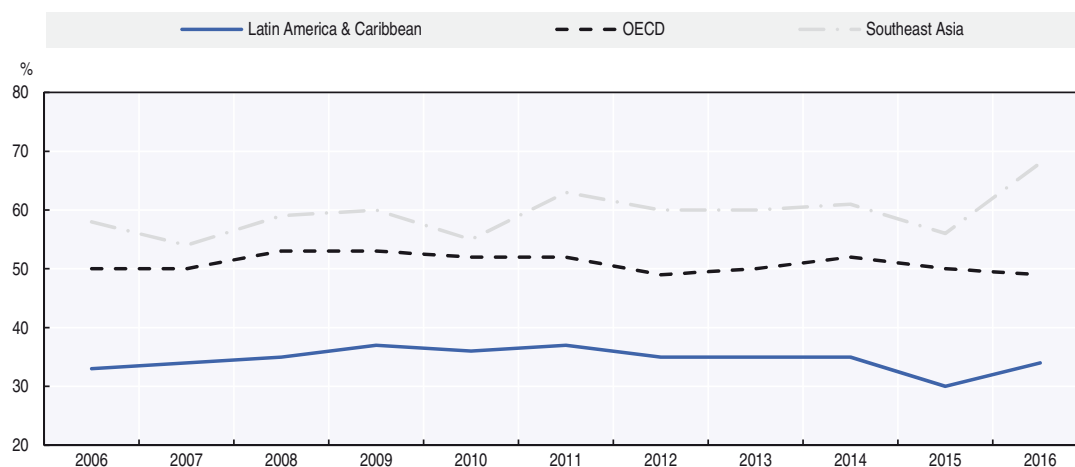
aggravates social and economic disparities. It allows undue influence of special interests to capture the public policy cycle and reduces the responsiveness and effectiveness of these policies, especially on marginalised groups. Corruption also limits fair and equal access to public services, such as education and health, that are critical to providing opportunities for social mobility.

Crime and impunity also indicate an important dysfunction in governmental institutions, particularly in the justice system. In 2014, three out of ten Latin Americans claimed that crime was the most important problem in their country. As a concern, according to the Latin American Public Opinion Project, crime surpasses unemployment, poverty and corruption (LAPOP, 2014). The problem may originate in ineffective institutions in the justice system. Indeed, fewer than 10% of homicides in the region are resolved. Further, an average of 60% of the prison population is in pre-trial detention (Jaitman and Guerrero Compean, 2015).

## Supporting strong and independent judicial institutions is critical to strengthening the rule of law and building trust

In LAC, the judiciary is perceived as lacking independence or as being impaired by corruption and the meddling of political authorities. In fact, citizens' trust in the judicial system has been relatively low over the last decade (Figure 3.4).
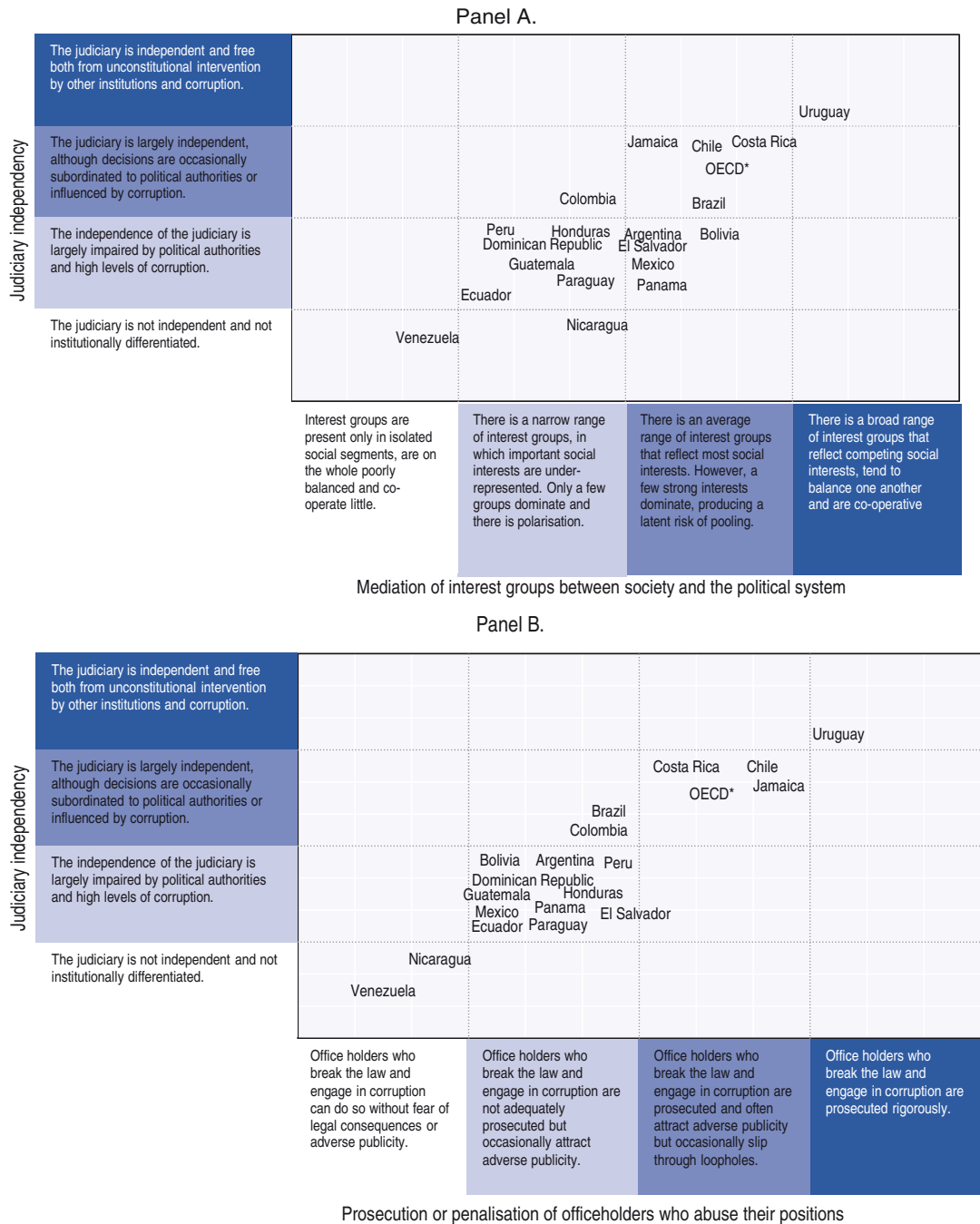
Figure 3.4. **Trust in judicial system in Latin America and the Caribbean, Southeast Asia and the OECD**



*Source:* OECD/ECLAC/CAF based on Gallup (2017), *World Poll*, http://www.gallup.com/services/170945/world-poll.aspx.
*StatLink* ⟶ http://dx.doi.org/10.1787/888933650836

A few strong groups continue to dominate the political systems in LAC. This means that policy capture is ongoing, but shared among different groups (Figure 3.5, Panel A). Available data also indicates that office holders in LAC who abuse power are not prosecuted and that these wrongdoings are rarely reported publicly (Figure 3.5, Panel B). The pair-wise relationship between these variables suggests that improving the independence of the judiciary is linked to a wider variety of groups being represented in the public policy process and greater levels of prosecution of corrupt office holders. In both cases, the direction of the causality can flow either way. However, the independence and strength of the judicial power is necessary as it helps enforce property and civil rights, and prevent and control crime.

Figure 3.5. **Judicial independence, group representation in the political system and corruption**

Panel A.



Mediation of interest groups between society and the political system

Panel B.



Prosecution or penalisation of officeholders who abuse their positions

*Note*: Country experts responded to the following surveys prepared and sent by the BTI project team: "To what extent does an independent judiciary exist?"; "To what extent are public officeholders who abuse their positions prosecuted or penalised?" and "To what extent is there a network of co-operative associations or interest groups to mediate between society and the political system?" Experts scored each question from 1-10, with higher scores implying better results in these dimensions. In some cases, some countries have been moved to avoid overlapping within squares.

* The OECD unweighted average corresponds to available data from the following countries: the Czech Republic, Estonia, Hungary, Latvia, Poland, the Slovak Republic, Slovenia, South Korea and Turkey.

*Source*: OECD/ECLAC/CAF based on BTI (2016), *Transformation Index*, www.bti-project.org/en/index/

Fostering strong, independent and effective legal institutions is critical to hinder policy capture, corruption and impunity in LAC. To tackle these perverse practices, checks and balances need to be strong, and the judicial power independent from interference and corruption.

To support a strengthened judicial system, the development of a network of institutions that reinforce compliance and raise accountability within the state is a necessary step. Opening government institutions to internal and external oversight is a move towards more transparent and accountable institutions. Journalists and other non-governmental organisations (NGOs) have played a critical role in denouncing the bending of rules within government institutions or inequalities in the application of legal frameworks. Recently uncovered corruption scandals illustrate the importance of these external institutions in the region. Meanwhile, information and communication technologies (ICTs) are amplifying the reach of these scandals. In any case, the combination of both factors is crucial in the fight against corruption (Box 3.1). The uncovering of corruption cases in the region is also a symptom of stronger institutions and independent judicial systems – a process initiated 25 years ago through judicial reforms. For instance, the *Lava Jato* scandal underway in Brazil was possible because of a widespread judicial reform undertaken in 1988 that created an independent prosecutor's office, lifetime tenure and protection against political retaliation (Ambrus, 2017).

To fight corruption effectively, countries need to develop a coherent integrity system which mainstreams integrity throughout public policies, strengthens both the prevention and enforcement of anti-corruption policies, and promotes measures of open government and transparency. LAC countries are undertaking anti-corruption measures, however these are often isolated and do not take into account the broader context. And initiatives for transparency must go hand in hand with effective scrutiny and accountability mechanisms (OECD, 2017b).The OECD *Recommendation of the Council on Public Integrity* sets forward different lines of action in this direction, including for anti-corruption.

The potential of integrity measures for development is large in LAC, as acknowledged by the OECD, which has made a number of recommendations specifically targeted at some Latin American countries. For instance, in Mexico, the creation of a coherent integrity system would be better achieved by integrating anti-corruption policies into key national strategies such as the National Development Plan (OECD, 2017c). In the case of Colombia (OECD, forthcoming), strengthening the internal control system within public institutions would help establish an integrity culture.

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### Box 3.1. **Corruption in LAC: The good news within the bad news**

Corruption scandals are perhaps among some of the most recently mentioned news about LAC countries. The first impression both for Latin American citizens and the international community is the prevalence of illegal practices in the heart of the political systems throughout the region. These recent scandals have aggravated the corruption perception in Latin America (Figure 3.3).

The scandals range from the Panama and Paradise Papers to the record USD 3.5 billion Odebrecht settlement in Brazil in December 2016. 2016 was a good year in the fight against corruption in the region (Transparency International, 2017). These uncovered illegal practices were unprecedented, putting the wealthy and the powerful in the spotlight as never before. In Brazil, the Petrobras' case (*Lava Jato*) contributed to the impeachment of President Rousseff; the Panama Papers revealed secret companies that served to evade taxes in their LAC base of operations; and Odebrecht gave big bribes to politicians in many countries to win large contracts (Ebrard, 2017 and *The Economist*, 2017).

> Box 3.1. **Corruption in LAC: The good news within the bad news** *(cont.)*
>
> The impact of the digital era on fighting corruption was, however, not reported. Indeed, big data and open data contributed to the discovery of these cases. The Panama Papers case was a massive leak of data that included 11.5 million documents, or 2.6 terabytes of data, from about 215 000 offshore bank accounts and shell companies (Santiso and Roseth, 2017). The International Consortium of Investigative Journalism (ICIJ) provided reporters with the data-mining expertise needed to make the documents transparent. Data analytics start-ups such as Linkurious extracted the metadata and helped connect the dots through data-visualisation tools. Storing the information in the cloud enabled almost 400 reporters worldwide to work together on the same project (Santiso and Roseth, 2017). Similarly, in Brazil, open data had an important role in the investigations. Data related to budget and public finances in government transparency portals were crucial for detecting some of the irregularities of recent cases.
>
> Structural changes to enhance oversight and the participation of lateral civil institutions are needed in Latin American society to prevent corruption. Still, the revelations of some big corruption cases might already represent steps in the right direction. These cases are showing increasing independence of the justice systems and the functioning of checks and balances, which are both crucial pillars for a well-functioning democracy. They also show that new technologies are having an important impact in the evolution towards better institutions. And they demonstrate that LAC is profiting from these new opportunities to reveal perverse practices within the public sector and promoting a culture of legality.

## Regulations must be improved to support fair competition and build trust in the public sector as a service provider

One of the most common practices distorting fair competition is collusive behaviour in public procurement. Collusion or cartel is the general term used to define agreements between companies that should be competing in the market but decide not to do so. Instead, they fix prices for goods and services, allocate markets or customers and/or restrict output. These agreements operate in secrecy and can be difficult to detect. As a result of these agreements, consumers (including governments) pay higher prices and get lower quality goods or services than in a competitive market. This kind of practice can affect the public sector (and citizens eventually) through the distortion of public procurement processes. The failure to achieve "value for money" has a negative impact on the range and depth of services and infrastructure that a state can provide to the most disadvantaged in society who rely the most on public services. Moreover, this kind of activity diminishes public confidence in the government and the market, ultimately inhibiting a state's economic development (OECD, 2011).

In particular, bid rigging, a specific type of collusive and cartel behaviour, has negative economic consequences and diminishes the quality of services or goods provided to citizens. Bid rigging occurs when firms collude instead of genuinely competing against each other to win a tender (OECD, 1998). The practice can take many forms, including cover bids, bid suppression, market allocation and bid rotation (OECD, 2009). It may result in overcharges of 20% or more in OECD economies. In view of these effects, substantial efforts should be devoted towards reducing these practices in LAC countries.

Price rigging or fixing practices by private agents can also have a detrimental impact on citizens. This occurs through lower quality or overpriced services or more generally, through lower productivity and economic growth. Competition between firms leads to

increased productivity and economic growth. Policies promoting competition, access to markets and entry of new firms are linked particularly to improving productivity and well-being (Cole and Ohanian, 2004; Lewis, 2004). Furthermore, policies that lead to markets operating more competitively, such as enforcing competition law and removing regulations that hinder competition, result in faster economic growth (OECD, 2013a).

OECD's guidelines for fighting bid rigging in public procurement promote real competition as a key element to combat collusive practices and promote productivity and growth. The guidelines gather some good practices to help countries both identify and fight this illegal behaviour. For example, tender processes for public procurement should be genuinely designed and implemented to promote the participation of qualified firms. Therefore, knowledge of market characteristics is one of the most important steps. Requirements should be defined clearly, as well as the criteria for evaluating and awarding the tender (OECD, 2012). These guidelines are relevant for Latin American countries since guaranteeing good practices in this respect would benefit competition and productivity.

The OECD recently made recommendations to promote a better institutional framework of competition authorities in Colombia and Costa Rica (Box 3.2). Effective competition policy requires the competition authority to have a strong institutional and regulatory framework. The independence and effectiveness of competition authorities are key elements to facilitate companies' contribution to economic activity and to foster the well-being of all citizens.

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### Box 3.2. **Independence and effectiveness of competition authorities in Costa Rica and Colombia**

**Costa Rica**

The level of independence of the Costa Rican Competition Authority (COPROCOM) should be enhanced (OECD/IDB, 2014). COPROCOM is an agency with formal technical autonomy within the Ministry of Economy, Industry and Commerce (MEIC). However, its inclusion within MEIC implied a certain degree of budgetary and administrative dependency. In addition, the minister's role in the appointment and removal of COPROCOM's Technical Support Unit executive director could jeopardise the authority's independence. Regarding operational issues, given that commissioners work part-time, COPROCOM is understaffed. The authority's budget is low compared with other economic regulators in Costa Rica and similar competition agencies in the region. This could have a negative impact on its effectiveness.

Following the OECD's recommendations, Costa Rica issued a legislative proposal. The draft law would establish a competition tribunal to replace COPROCOM. This tribunal would be created within MEIC, but with functional, administrative and financial independence. Its budget and financing would come from direct transfers from the state budget, merger control fees, donations and receipt of 30% of all fines. Tribunal members would be appointed for six-year terms following an open public competition by the Council of Ministers. The tribunal would be solely responsible for the appointment of its president and of its technical staff. It would also have its own legal status. As such, it would not be dependent on the Attorney to defend its decisions in court.

The tribunal would comprise three permanent full-time members and two substitutes. All members would have to be experienced and impartial professionals. The draft law also sets up a support technical body, the *Secretaria General de Competencia*. A secretary general appointed by the tribunal for a six-year term and subject to the direction of the tribunal would manage this support body. The *Secretaria* will not be part of the general civil service, and is subject to its own specific regulation and staff rules.

Box 3.2. **Independence and effectiveness of competition authorities in Costa Rica and Colombia** *(cont.)*
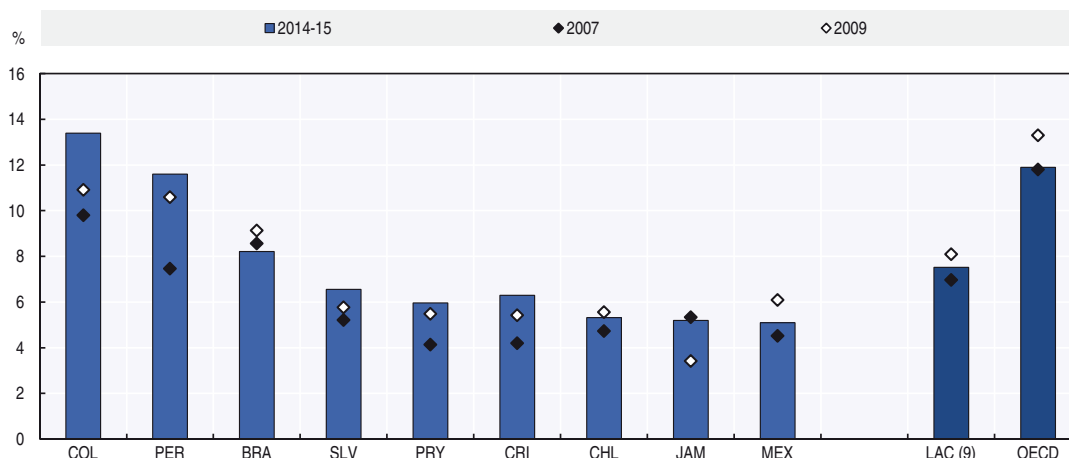
**Colombia**

Since September 2015, the institutional framework of the Superintendence of Industry and Commerce (SIC) has improved thanks to further independence of its superintendent. Previously, the president could appoint and remove the superintendent at will. The superintendent did not serve for a fixed term of office, which could interfere with the agency's independence (OECD, 2016a). In 2015, to address that lack of independence, Colombia passed legislation that provides for a fixed term for the SIC's superintendent coinciding with the president's four-year term; the president can now only remove the superintendent for cause. The Competition Committee concluded this was a practical solution to the problem of assuring political independence for the agency.

In LAC, public procurement represents close to 8% of gross domestic product (GDP) (Figure 3.6). In some countries such as Colombia and Peru, public procurement is more than 10% of GDP, close to the OECD average of 11.9% of GDP (OECD, 2016b). Public procurement is a crucial government activity to channel delivery of services to citizens. Yet private sector companies can affect the effectiveness of public procurement through price rigging. Such practices risk creating inefficiency and waste in the large and stable volumes of purchases by governments.

The creation of central purchasing bodies (CPBs) as centres of procurement expertise and the development of e-procurement solutions are transforming traditional practices in LAC. These new practices permit knowledge sharing across relevant procurement actors in a more structured way. They also enhance different capabilities across all levels of government, including regional and local counterparts. Latin America has several examples of CPBs that have considerably improved in the past years such as *Colombia Compra Eficiente* or *ChileCompra*. However, challenges remain to increase their effectiveness (OECD, 2017e, 2016b).

Figure 3.6. **Government procurement as percentage of GDP, 2007, 2009 and 2014 or 2015**



*Note:* Data for Colombia, Costa Rica, Mexico and the OECD average correspond to 2015.
*Source:* OECD (2017e), *Government at a Glance 2017,* http://dx.doi.org/10.1787/gov_glance-2017-en; OECD (2016b), *Government at a Glance, Latin America 2017* http://dx.doi.org/10.1787/9789264265554-en.
*StatLink* 🔗 http://dx.doi.org/10.1787/888933650855

## Box 3.3. **How well are stakeholders involved in the regulatory policies in Latin America?**

Regulation is a critical tool by which governments seek to foster economic growth and social well-being. Countries in Latin America are increasingly investing in processes and institutions that support quality of regulations.

A composite indicator on stakeholder engagement in developing subordinate regulations was developed based on information on regulatory practices collected from countries in Latin America. This followed the established methodology of the OECD Indicators of Regulatory Policy and Governance. The indicator measures the adoption of good practices to engage with interested parties when developing new regulations. These include different methods and openness of consultations, as well as transparency and response to comments received.

It consolidates information in four equally weighted categories: i) *systematic adoption* records formal requirements and how often these requirements are conducted in practice; ii) *methodology* that gathers information on the methods used in each area, e.g. the type of impacts assessed or how frequently different forms of consultation are used; iii) *oversight and quality control* that records the role of oversight bodies and publicly available evaluations; and iv) *transparency*, which records information that relates to the principles of open government, e.g. whether government decisions are made publicly available.

The analysis of seven Latin American economies in the region (Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico and Peru) shows that these countries have taken steps to improve their regulatory governance framework by investing in processes and institutions that support inclusive and evidence-based policy making. However, important gaps remain in most countries in terms of the implementation of key tools. These tools include consultation with stakeholders, regulatory impact assessment and *ex post* evaluation. Strengthening the institutional oversight of the regulatory process will be critical to ensure the consistent implementation of these tools in the future (Querbach and Arndt, 2017; Figure 3.7).

### Figure 3.7. **Composite indicator: Stakeholder engagement in developing subordinate regulation in selected Latin American economies**
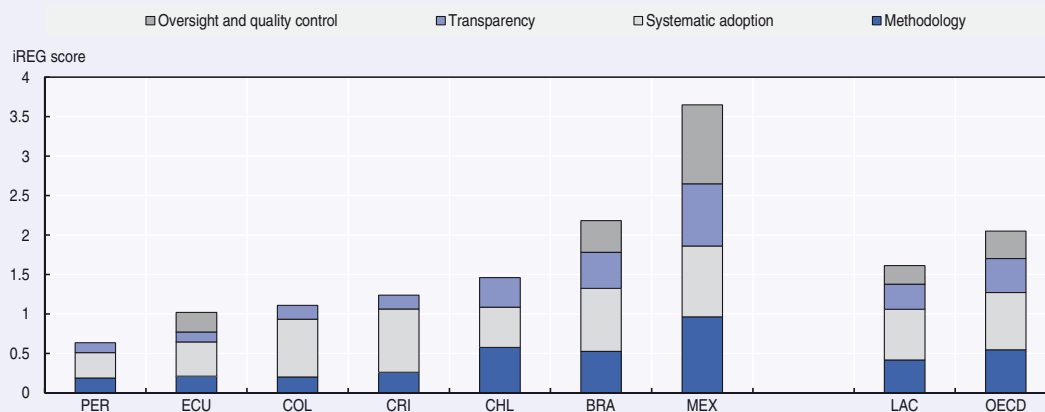


*Note*: The figure displays the total aggregate score across the four separate categories of the composite indicator. The maximum score for each category is one and the maximum score for the aggregate indicator is four. The more regulatory practices as advocated in the 2012 OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its indicator score. The data on LAC countries reflect the situation as of 31 December 2015. Data cover 34 OECD member countries and reflect the situation as of 31 December 2014.
*Source*: *Indicators of Regulatory Policy and Governance* (iREG) for Latin America 2016; *Indicators of Regulatory Policy and Governance* (iREG) 2015.

*StatLink* ᵃˢᵖ http://dx.doi.org/10.1787/888933650874

The OECD has delivered specific recommendations to promote competition and reduce the risk of bid rigging in procurement procedures. In 2009, the OECD Competition Committee developed the Guidelines for Fighting Bid Rigging in Public Procurement. In 2012, the OECD Council adopted the Recommendation of the Council on Fighting Bid Rigging in Public Procurement. It calls on governments to strive for public procurement procedures that are designed to promote competition and reduce the risk of bid rigging. Colombia and Mexico, for example, should create a specialised department dedicated to market analysis for all contracting procedures; improve the electronic bidding system and the regulatory framework on tender procedures; increase information sharing and communication among public entities; prepare detailed, useful market studies; and provide training to public servants.

The cases of Colombia and Mexico provide in-depth analysis and specific recommendations on how to improve tender processes. In 2013, Colombia signed an agreement with the OECD to review its procurement legislation and practices. It aimed to verify if the country was in line with the OECD's 2012 recommendations. Following a review, the OECD made additional recommendations (OECD, 2014a) such as: increasing the use of public tenders, consolidated purchases and reverse auctions; preparing detailed and useful market studies; reducing disclosure of competitively sensitive procurement and bidding information; increasing information sharing and communications among the SIC, the newly established National Public Procurement Agency (NPPA) and government purchasing officials; and finally, expanding training activities sponsored by the SIC and NPPA.

Similarly, for Mexico, the OECD recommended: creating a specialised department dedicated to market analysis for all contracting procedures; limiting the use of exceptions to open tender procedures; managing the information flow towards third parties in a way that avoids unnecessary disclosure of sensitive information; expanding efforts to consolidate purchases and take better advantage of framework agreements; implementing a strict approach for joint bids and subcontracting; setting conditions under which a contract may be split to avoid market sharing; opening the market to foreign bidders and enhancing the participation of small and medium-sized enterprises; prioritising electronic bidding systems to make procedures more efficient and collusion more difficult; establishing closer co-operation with the Mexican competition authorities: the Federal Commission for Economic Competition (COFECE, in Spanish) and the Federal Telecommunications Institute (IFT in Spanish); setting up regular training on collusion for procurement officials; establishing a system to report suspicions of bid rigging; and developing a complete, comprehensive and easily accessible electronic record of the procurement documents.

## Towards a better administration: public sector reform to ensure effective governance

LAC countries need institutional reforms to strengthen the administrative capacities of the state and support good governance. Good governance processes depend on the capacity of the central government to undertake a leading role for transiting the country towards its long-term vision. Additionally, the state requires a well-trained and capable bureaucracy and better management practices to establish an adequate environment for result-oriented planning, investments and policy making. These capacities are needed at all levels of government to ensure that coherency in decision making and long-term planning translates into development that reaches all layers of society equally. Finally,

the adoption of ICTs can facilitate administrative processes and contribute to developing innovative solutions within governments and in partnership with civil society. Appropriating digital tools can significantly contribute to making state processes more efficient and effective to deliver better services and regain citizens' trust.

## The Centre of Government is critical to improve decision-making processes

The Centre of Government (CoG) is a critical component for ensuring good governance capacities and addressing citizen demands. The CoG refers to the organisational units that provide direct support to the head of government (president or prime minister) and perform key cross-cutting functions (Table 3.1). For example, the CoG strategically manages the government's priority goals and co-ordinates the ministries and agencies that contribute to those goals. It monitors implementation of priority programmes and overcomes obstacles when performance is lagging. In addition, it manages the politics to enable the approval and implementation of priority programmes, and communicates results to the public (Alessandro, Lafuente and Santiso, 2013; OECD, 2016b). The CoG requires the capacity to shape a strategic vision, to secure its coherence and to make it operational (OECD, 2015a). It ensures that ministries and other government institutions align their interventions to achieve the intended policy goals. It also organises and supports the head of government's decision-making process to deliver on established priorities.

Table 3.1. **Role of Centres of Government in addressing public management issues**

| Issue | Role of the Centre of Government |
|---|---|
| Citizens increasingly demand better public services and results from government institutions. | Establishing and communicating priority goals (being selective); ensuring budgetary alignment, monitoring progress continuously and unblocking obstacles that affect performance. |
| Most priority issues are multidimensional and cross-cutting; they cannot be properly addressed by vertical ministerial silos. | Co-ordinating and brokering solutions, bringing together the relevant ministries and agencies to make decisions and design and implement policy. |
| Government activity expands into new policy areas. | Supporting and advising the chief executive in managing a complex government structure, especially if policy making is fragmented or decentralised. |
| A continuous news cycle can divert the government's attention from priorities. | Keeping a systematic focus on strategic priorities, aligning the government's message. |

*Source*: Alessandro, Lafuente and Santiso (2014), *Governing to Deliver: Reinventing the Centre of Government in LAC*, https://publications.iadb.org/bitstream/handle/11319/6674/Governing-to-Deliver-Reinventing-the-Center-of-Government-in-Latin-America-and-the-Caribbean.pdf?sequence=1.

Most presidents and prime ministers in LAC relied on three fundamental channels for decision making: Cabinet meetings (93% of countries), direct bilateral contacts with ministers (80%) and advisory groups (46%) (Table 3.2). Cabinet meetings provide opportunity for all relevant stakeholders to express their views and to inform all appropriate information to aid in decision making.

Table 3.2. **CoG's policy discussion channels**

| | Bilateral contacts with ministers | Groups of advisors | Cabinet meetings |
|---|---|---|---|
| Argentina | ● | ○ | ● |
| Chile | ● | ● | ● |
| Colombia | ● | ● | ● |
| Guyana | ○ | ○ | ● |
| Costa Rica | ● | ● | ● |
| Guatemala | ● | ○ | ● |
| Haiti | ● | ● | ○ |
| Honduras | ● | ○ | ● |
| Mexico | ○ | ● | ● |
| Panama | ● | ● | ● |
| Paraguay | ● | ● | ● |
| Peru | ● | ○ | ● |
| Dominican Republic | ● | ○ | ● |
| Trinidad and Tobago | ○ | ○ | ● |
| Uruguay | ● | ○ | ● |
| **LAC total** | | | |
| ● Yes | 12 | 7 | 14 |
| ○ No | 3 | 8 | 1 |
| **OECD total** | | | |
| ● Yes | 19 | 17 | 23 |
| ○ No | 9 | 11 | 5 |

*Source*: OECD (2016b), *Government at a Glance, Latin America 2017,* http://dx.doi.org/10.1787/9789264265554-en.

A whole-of-government approach – emphasising co-operation and co-ordination – is crucial in LAC, particularly in a context of increasing decentralisation of administrative capacities and responsibilities. Lack of adequate co-ordination can lead to serious inefficiencies such as overlaps between different institutions. This, in turn, causes confusion and wastes important resources. It can also lead to bureaucratic conflicts and hinder resolution of problems (Alessandro, Lafuente and Santiso, 2014).

The large majority of countries in LAC have bodies to co-ordinate government institutions. This co-ordination exists at the level of ministers (70% of countries), deputy ministers (59%), other political level (41%) and at the civil service (only 23%) (Figure 3.8). In the OECD, there are relatively more countries with co-ordination bodies, but the diminishing trend with the political level persists. Within countries of the OECD, co-ordination exists at the level of ministers (84% of countries), deputy ministers (72%), directors (69%) and at the civil service (38%) (Alessandro, Lafuente and Santiso, 2014).

Governments around the world have sometimes also sought to reinforce their Centre of Government to drive performance improvements by creating Delivery Units (DUs). Pioneers of this trend in LAC include Brazilian states such as Minas Gerais and Pernambuco, which developed their models between 2003 and 2008. Chile's DU also functioned from 2010 to early 2014. Since 2013, more than 14 governments in the region have adopted delivery management models both at the national and sub-national level (Box 3.4.).

Figure 3.8. **Policy co-ordination at different levels in LAC and OECD member countries**
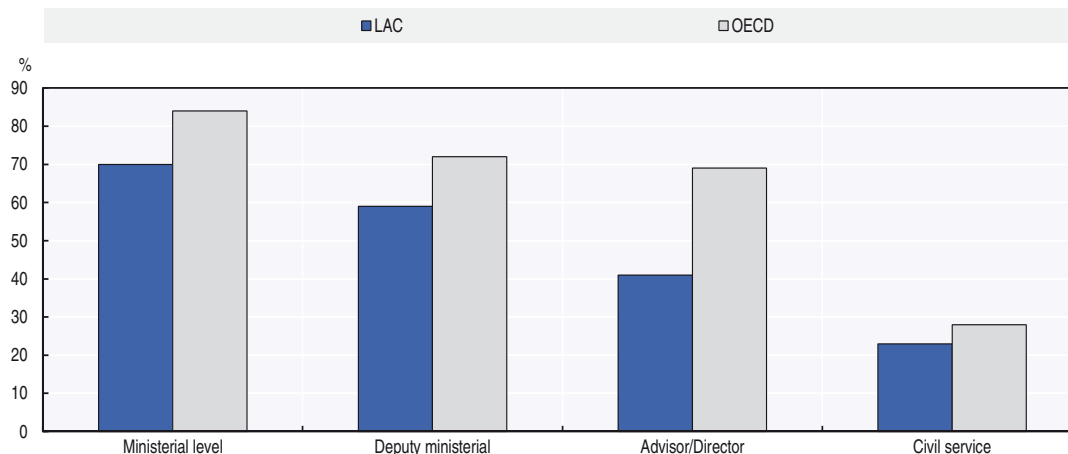


*Source*: Alessandro, Lafuente and Santiso (2014), *Governing to Deliver: Reinventing the Centre of Government in LAC,* https://publications.iadb.org/bitstream/handle/11319/6674/Governing-to-Deliver-Reinventing-the-Center-of-Government-in-Latin-America-and-the-Caribbean.pdf?sequence=1.

*StatLink* 🔗 http://dx.doi.org/10.1787/888933650893

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Box 3.4. **Delivery units achieve top priorities: Peru, Colombia and the City of Buenos Aires**

Several governments in Latin America and the Caribbean (LAC) have been strengthening their Centre of Government through the adoption of "delivery" management models. They have taken inspiration from successful experiences in the United Kingdom, United States, Malaysia and other countries. This trend also seems to be an upgrade from results-based budgeting, which was more popular a decade ago. It focused mainly on budget execution in LAC whereas "delivery" prioritises actual results for citizens.

DUs aim to facilitate the government's delivery of top priorities. They are inspired by similar principles (highly selective, focused on implementation) and follow similar lessons learned (small unit empowered by the president or prime minister, low profile, early start-on). However, these models have not been homogeneous given their roll-out in different institutional contexts. The most popular choice of DU calls for stronger CoGs to strengthen the functions of strategic management (micro-planning for top priorities) and monitoring and improving government performance. Three of the most interesting cases are summarised below.

**Peru**: The DU is mapped to the Presidency of the Council of Ministers. Its initial task was to transform aspirational statements by the president and the prime minister in seven policy areas into concrete objectives. They had specific key performance indicators, critical intervention activities to achieve the targets, and a plan to ensure effective implementation of the interventions. The DU ran workshops with pertinent stakeholders to ensure full ownership. It also helped stakeholders craft the delivery strategies for each area to achieve its goals. From June 2017, all strategies were in place and the DU had organised stock-takes (follow-up meetings between the ministers and the prime minister) for most priorities to facilitate decision making and problem solving.

> **Box 3.4. Delivery units achieve top priorities: Peru, Colombia and the City of Buenos Aires** *(cont.)*
>
> **Colombia**: The DU was introduced under the Ministry of the Presidency at the beginning of President Santos' second term in 2014. It had three main objectives: i) to lead the planning and delivery of presidential goals such as lifting 1.5 million Colombians out of poverty; ii) to support the government's 21 sectors to identify and plan the achievement of one goal for each of them by the end of the term, which were made public; and iii) to lead vertical co-ordination to implement regional initiatives in key departments. As of 2017, the DU's relevance in the first two tasks has been decreasing. Once the planning phase was completed, each sector took charge of its own goals, lowering the value added of the DU. In addition, the success of the peace process superseded other priorities, which changed the DU's mandate.
>
> **City of Buenos Aires**: The DU, introduced in December 2015, complemented an eight-year-old management model with detailed planning and monitoring of all the city's projects. The DU's main innovation was the identification and publication of commitments between the mayor and citizens following criteria such as feasibility and impact. The first set of 20 commitments was publicly announced three months after taking office. It includes outcome indicators such as the reduction of traffic fatalities by 30% and the doubling of students with higher levels of performance in mathematics. Other commitments were output-related such as achieving seven paediatric visits in the first year of a child's life and the completion of several public works. In 2016, the mayor added 15 more commitments. Public accountability seems to be the key driver of the model: an impressive online tool updates government performance on all commitments on a regular basis. The mayor reports back to citizens with detailed performance data on an annual basis.
>
> *Source*: Inter-American Development Bank.

## Progress towards merit-based hiring in the public service must be continued

The administrative capacities of the state are limited by the quality of its public servants. Competences, skills and abilities of civil servants determine whether institutions can function effectively and efficiently. Thus, public employees are one of the most valuable assets of institutional governance. By performing the essential tasks of government, they keep institutions moving. Moreover, policy implementation and its results depend highly on public servants performing these tasks impartially and with integrity (Santiso et al., 2014).

Human resource management in the public sector has a strong influence on the quality of public administration. Good managerial practices include merit-based recruitment of civil servants that ensures impartiality of the civil service. Systematic performance evaluations of civil servants and incentives for training or education programmes for public employees also make a great difference in a state's administrative capacities. These processes determine the productivity of the public sector and the efficiency with which bureaucracies respond to citizens' demands.

The recruitment of civil servants determines the endowment of human capital in the long term. As a result, it can be decisive for ensuring a high quality public administration. Three features of human resources management are crucial for ensuring a merit-based recruitment. First, an open recruitment to fill vacancies established by law must be available to all candidates with the required qualifications;
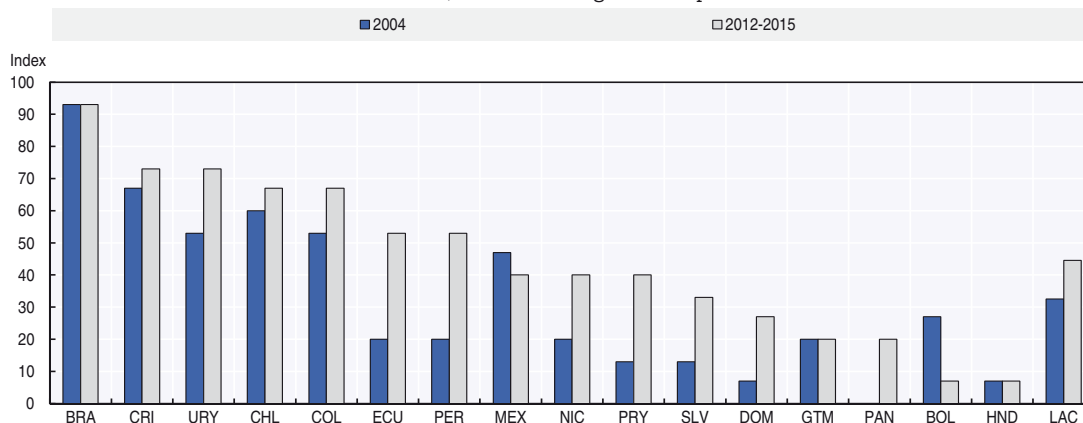
these are established according to suitability for the post and technical considerations, not arbitrarily. Second, the necessary safeguard mechanisms and procedures should be in place against arbitrariness, politicisation, patronage and clientelism throughout the entire hiring process. Third, dismissals or terminations of employment that affect professional positions must not be motivated by a change in the government's political leanings (OECD, 2016b). These practices align public employees' skills and capacities to a position's requirements and demanded level of responsibility. They also protect employees from wrongful or politically motivated termination.

In most LAC countries, public institutions lack a formal professional civil service and experience a high proportion of political appointments among public servants (OECD/ECLAC, 2012). Between 2004 and 2012-15, LAC countries made significant progress towards merit-based processes to hire public servants (Figure 3.9). However, they continue to underperform on civil service merit scores. On average, the LAC region increased its merit score by 12 units on the *Civil Service Merit Index*, jumping from 33 to 45 on a scale from 0 to 100. Only Mexico and the Plurinational State of Bolivia (hereafter "Bolivia") showed deterioration in their recruitment process. All countries could improve as the majority score under 70 out of 100.

Figure 3.9. **Civil servants' recruitment and quality**

Civil service merit index (2004, 2012-2015)

Scale 0 to 100, with 100 being the best possible score



*Source:* OECD (2016b), *Government at a Glance, Latin America 2017,* http://dx.doi.org/10.1787/9789264265554-en.
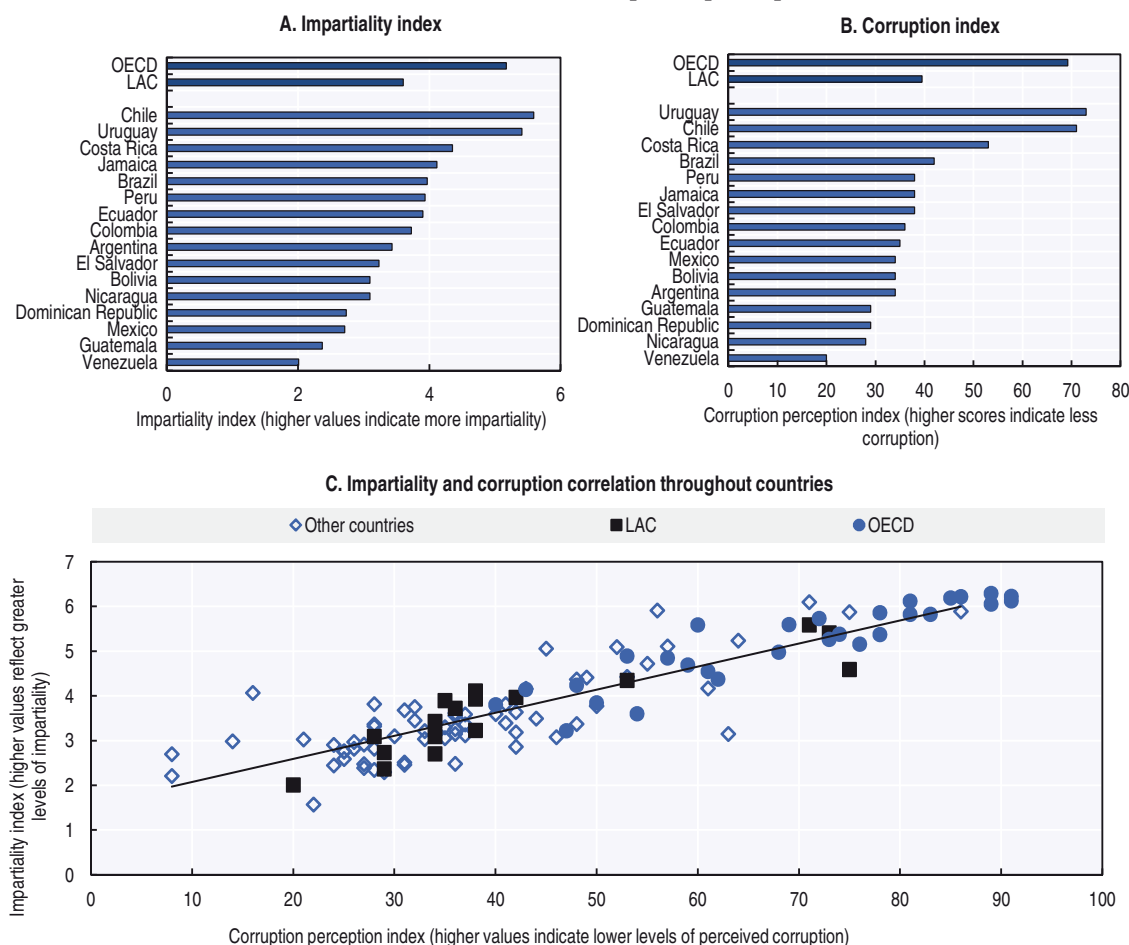StatLink http://dx.doi.org/10.1787/888933650912

### Impartiality of public administration is generally below OECD levels

In the LAC region, with the exceptions of Chile and Uruguay, impartiality is below OECD levels. Impartiality of public administration and merit-based selection processes are related to each other. Together, they help ensure that open, transparent and competitive hiring practices are in place. The level of impartiality of public institutions is also a critical dimension of a state's capacity. Impartiality is indeed a key concept underlying quality of government (Rothstein and Teorell, 2008). It reflects the responsibility of the government bureaucracy to provide services, adhere to rules, and implement and execute the law in a manner that is free of fear or favour and that is fair and impartial for all (Van Houwelingen et al., 2015). This requires civil servants who apply the norms and processes according to the law, as well as an independent judicial system.

Impartial public administrations increase citizens' trust in the public sector and in government in general, boosting confidence towards institutions. Indeed, impartiality of public administration is positively and significantly correlated with lower levels of

corruption, as scored by the *Corruption Perception Index* at a global scale (Figure 3.10). This correlation remains significant when only LAC countries are sampled (Figure 3.10, Panel C). Put differently, people who perceive the public administration as being impartial will also perceive governments as being less corrupt.

Figure 3.10. **Ranking and correlation between impartiality of the public administration and corruption perception, 2017**



**A. Impartiality index**

Impartiality index (higher values indicate more impartiality)

**B. Corruption index**

Corruption perception index (higher scores indicate less corruption)

**C. Impartiality and corruption correlation throughout countries**

◇ Other countries    ■ LAC    ● OECD

Impartiality index (higher values reflect greater levels of impartiality)

Corruption perception index (higher values indicate lower levels of perceived corruption)

*Note*: Level of correlation is 0.9007, significant at a 0.05% level. The indicator for corruption is the Corruption Perception Index calculated by Transparency International. It ranges from 0 to 100, with lower values showing more corruption. The correlation is done at a global scale including all countries for which data are available. For Latin American countries, the correlation remains significant at a 0.05% level with a value of 0.9244. The impartiality index ranges from 0 to 6 with higher values corresponding to more impartiality.
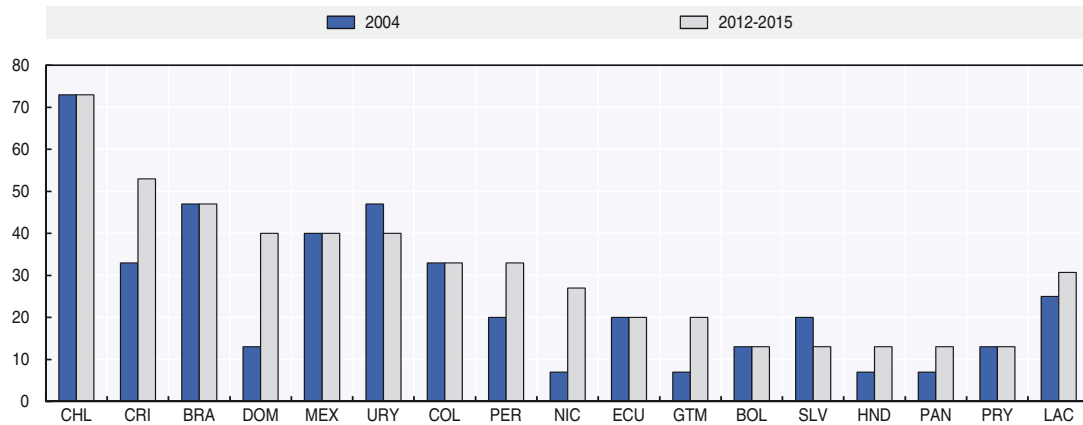*Source*: OECD/CAF/ECLAC based on the *Quality of Governance Database*, Cross-section data, 2017.
*StatLink* 🔗 http://dx.doi.org/10.1787/888933650931

LAC countries are still strengthening performance appraisals (Figure 3.11), which contribute to improving staff performance and motivating public employees. Throughout the region, most countries have improved the evaluation systems between 2004 and 2012-14, except for Bolivia and Uruguay. This *performance appraisal index* includes three critical aspects: assessment and definition of guidelines and standards of expected performance; monitoring of personnel performance throughout the management cycle; and completion of staff appraisals compared with standards of expected performance (OECD, 2016b). Despite improvements, most public administrations in LAC continue to score under 50 out of 100 and the average of the region reaches only 31 on a scale from 0 to 100.

Figure 3.11. **Performance appraisals (2004, 2012-2015)**
Scale 0 to 100, with 100 being the best possible score



Source: OECD (2016b), *Government at a Glance, Latin America 2017*, http://dx.doi.org/10.1787/9789264265554-en.
StatLink ᐃᔒᐧ http://dx.doi.org/10.1787/888933650950

LAC governments need to incorporate digital, innovation and data skills in the public sector. Today's challenges are demanding new technical skills and applied knowledge from civil servants. Digital abilities, as well as some behavioural and cognitive skills for innovation, are crucial for successfully meeting rapidly evolving demands. The digital transformation of governments and public services has important effects on operations. This, in turn, affects the relationship between the state and citizens. The transformation implies a shift towards a demand and data-driven strategy, requiring new forms of partnerships and engagement, new skills and accountability models for the public sector (OECD, 2017f).

In Chile, the *Laboratorio de Gobierno Experimenta* programme takes a learning-by-doing approach to build civil servants' innovation capabilities. Skills targeted by the Laboratorio include people-centred research and design, co-creation, and collaboration and integration of multiple approaches (OECD, 2017f). More specifically, it helps a selected group of participants to address concrete institutional challenges. It does so by strengthening their skills related to different elements of public sector innovation.

Encouraging creative and productive behaviour within the public sector can also increase its appeal. Human resource managers should support public servants who come up with new approaches to service delivery. A creative work environment requires technical abilities, but also creativity and associative thinking. People can be naturally motivated, but the organisational culture and management also play a role (OECD, 2017g).

**Fighting discrimination in the public sector can attract skilled and talented employees**

Promoting practices that help fight against discrimination in the public sector (gender, race, political affiliation) should be a top priority for governments in the region. A positive work environment attracts talented and skilled employees. Merit-based recruitment can enhance productivity in the public sector by matching candidates' abilities to required tasks. It would contribute to ensure a fair selection process that renders high quality public administrations. Further, it would help safeguard the required degree of technical expertise to design and implement public policies. Strategic policies that encourage and support the re-skilling, training and development of new competences of public employees can also make public service attractive.

Gender equality is increasingly a policy priority for LAC countries. The strong increase in female labour force participation is among the most salient socio-economic

changes in the region in the last half century (Gasparini and Marchionni, 2015). Indeed, male labour force participation remained roughly unchanged at around 95%. However, between 1992 and 2012, the participation rate for prime-age females climbed from 53% to 65%. Yet the gap is far from being closed. In fact, since 2002, the rate of women participation in the labour market has strongly decelerated.

Latin American women and men are almost equally represented in the public sector, reaching 50.3% and 49.7% of the employment rate, respectively (Figure 3.12). The representation of women in the public sector improved between 2009 and 2014. It is nevertheless quite worrisome that the share of women in ministerial positions barely reaches an average of 23.8% (Figure 3.13). This shows that even though women are constantly increasing their representation in the public administration, they might be staying at lower positions. It further suggests that women are still underrepresented in leading positions in the public sector and are less likely to actively shape policy decision-making processes.

Figure 3.12. **Share of public sector employment filled by women and men, 2009 and 2014**
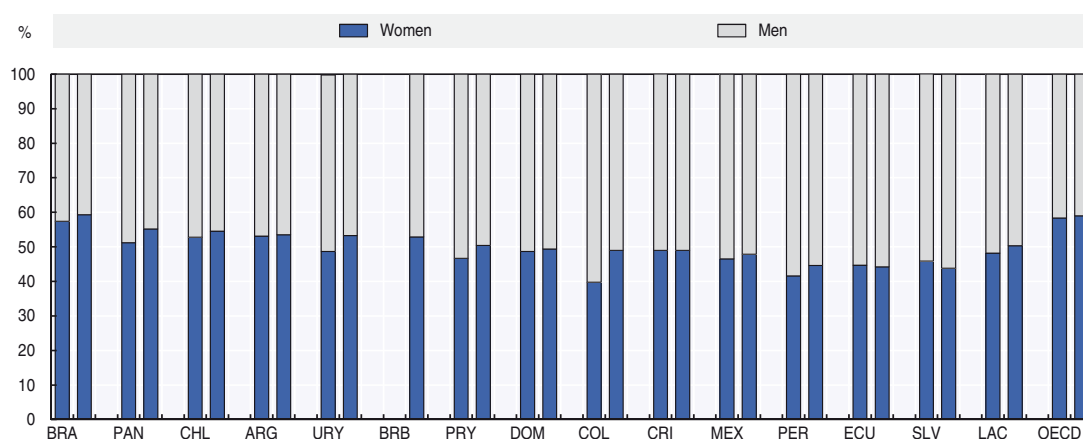


*Note*: Data for Brazil, Chile, Mexico, Costa Rica and Colombia correspond to 2015.
*Source:* OECD (2017e), *Government at a Glance 2017*, http://dx.doi.org/10.1787/gov_glance-2017-en; OECD (2016b), *Government at a Glance, Latin America 2017,* http://dx.doi.org/10.1787/9789264265554-en.
*StatLink* ⟐⟐ http://dx.doi.org/10.1787/888933650969

Figure 3.13. **Percentage of women in ministerial positions, 2016**
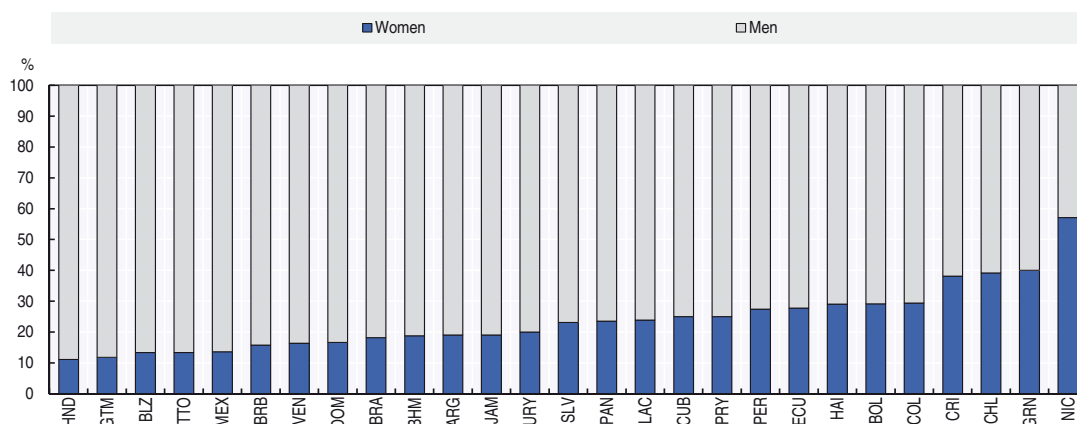


*Source:* ECLAC (2017) – *CEPALSTAT database*, http://estadisticas.cepal.org/cepalstat/WEB_CEPALSTAT/estadisticasIndicadores.asp?idioma=i.
*StatLink* ⟐⟐ http://dx.doi.org/10.1787/888933650988

## LAC countries have made progress to strengthen public management

LAC countries have taken actions in the past decades to strengthen their public management cycles and increase the delivery of results for citizens. The concept of results-based management or managing for development results emerged in LAC in the early 2000s. It has since gained great traction.

Managing for Development Results (MfDR) focuses on performance indicators to improve outcomes and long-term impacts. The MfDR approach aims to improve the effectiveness of public management by switching focus from inputs and processes to measurable results. Essentially, it gives priority to strategic foresight and builds plans and decisions around tangible results by strengthening monitoring and evaluation. The five pillars that underpin this approach are results-oriented planning, results-based budgeting, public financial management, project and programme management, and monitoring and evaluation systems.

Governments in LAC have undertaken major efforts to improve medium and long-term national planning capacity, medium-term budgeting, programme budgeting and several financial management instruments. These efforts reflect a desire to gain greater control over public spending and to focus on strategic objectives. Available data show that Peru, Costa Rica, Honduras, the Dominican Republic, Belize and Ecuador have experienced the most progress with respect to planning systems (Kaufmann, Sangines and Garcia Moreno, 2015).

LAC governments have made less progress, however, in the areas of evaluation of spending effectiveness, aligning incentives to achieve institutional objectives and implementing evaluation systems. Where such efforts have been pursued, such as in Costa Rica, the National Evaluation System serves basic accountability requirements. However, it is rarely used as input to inform future decision making (OECD, 2015a). These capacities should produce information on performance to inform decision making. If they continue to fall short, it may jeopardise progress within the public management pillars.

Overall, the region has advanced on all five pillars of this policy management strategy (Figure 3.14). However, country-level analysis reveals mixed progress. All countries analysed improved their scores, although to varying degrees. In 2007, governments in Belize, Guyana, Jamaica, Nicaragua, Paraguay, and Trinidad and Tobago had the lowest scores (under 1.5, on a scale of 0 to 5, in which 5 is the optimal score) on the *MfDR Index*. They have all taken significant steps to improve their national public management systems.

Likewise, in recent years, some countries with intermediate scores (between 1.5 and 3), especially the Dominican Republic, Ecuador and Peru, have undertaken major reforms and are advancing rapidly. The group of countries with the highest scores (over 3) – Brazil, Chile, Colombia and Mexico – have a substantial lead over the rest, displaying a more balanced development in the five pillars of MfDR. They show stronger practices in the areas of results-based budgeting and monitoring and evaluation (M&E,), which tend to be the weakest aspects for most countries in the region. Mexico for instance, has incorporated M&E practices at both the national and subnational levels (Box 3.5).

Colombia has developed one of the region's most advanced M&E systems. The *Sistema Nacional de Evaluación de Resultados* (SINERGIA) is today led by the Direction of Public Policy Monitoring and Evaluation within the National Planning Department and the Presidency. Through the elaboration of an impressive set of diverse indicators, clear guidelines and targets, SINERGIA provides continuous performance information on whether and how all different entities are meeting public policy objectives, therefore informing future policy decisions (OECD, 2013b).

Figure 3.14. **Management for development results score, LAC average, 2007/08 vs. 2013/14**
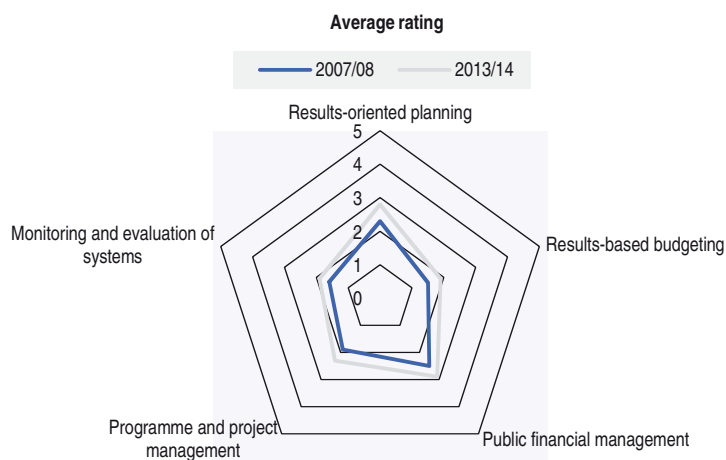


*Source:* Kaufmann, Sanginés and García Moreno (2015), *Building Effective Governments in LAC,* http://dx.doi.org/10.18235/0000016.

*StatLink* 🔗 http://dx.doi.org/10.1787/888933651007

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**Box 3.5. Sub-national monitoring and evaluation: Jalisco, Mexico**

The State of Jalisco, in Mexico, has developed innovative processes and advances on monitoring and evaluation (M&E) in recent years. The monitoring system (MIDE) and the evaluation system (EVALUA Jalisco) were created in 2008 and 2013, respectively. They aimed to guide government's actions to achieve results and improve conditions for Jalisco's development. Both programmes operate with a high degree of public information, transparency and are based on accountability, open data and citizen co-creation.

MIDE Jalisco is the acronym for the Development Indicators Monitoring strategy, operated by the Planning, Administration and Finances Secretariat (SEPAF, in Spanish). It monitors progress on the achievement of quantitative goals set in Jalisco's State Development Plan (SDP). Other monitoring performance systems consider indicators from all levels of the value chain (inputs, activities or products). For its part, MIDE Jalisco is oriented exclusively to indicators that measure outcomes and impacts. It contains 27 long-term indicators that measure the aggregate social impact on development in six key areas. It also has 133 mid-term indicators that measure direct impacts on the population. And it has 194 complementary indicators that provide short and mid-term information on implementation of public policies.

EVALUA Jalisco formally started as a public policy evaluation strategy, and was gradually integrated into the results-based budgeting model. Co-ordinated by the General Department for Monitoring and Evaluation of SEPAF, it includes identification, publishing and monitoring of programmes and public policies. It also features training and technical advice for developing skills to improve evaluation conditions. Finally, it centralises co-ordination and monitoring of external evaluations, and uses evaluative evidence.

Both programmes are aligned with the objectives of the SDP. Their platforms, available on the Internet, aim to incentivise citizen participation and accountability on topics previously not scrutinised by citizens. MIDE and EVALUA have fostered collaboration between public servants, external experts, citizens and opinion leaders to improve indicator selection and goal setting through Technical (for EVALUA) and Citizen (MIDE) Councils.

Box 3.5. **Sub-national monitoring and evaluation: Jalisco, Mexico**  *(cont.)*

MIDE and EVALUA have had a positive impact in four main areas:

1) Improvement of the institutional capacity for policy evaluation: A public servant team was created to co-ordinate the evaluation work inside each one of the 40 institutions of the internal evaluation units. This team, along with the Central Unit at SEPAF, defines and directs the annual evaluation plan. It also monitors the external research and the commitments for improvement originating from recommendations of the evaluation. This process strengthened the capacity of the Jalisco government.

2) The use of quantitative evidence for improving government actions: by the end of 2016, the government had received 300 recommendations from external sources, 181 of which became specific commitments for improvement. Most of the commitments related to correcting activities or processes of the programmes; 11% reoriented the design and operation; and 8% modified the types of support given by each programme evaluated.

3) Data-based decision making: Periodical monitoring of targets has allowed Jalisco's officials to adjust strategies and policies where results are not being achieved, increasing the efficiency of the government.

4) Increased accountability and citizen participation: MIDE and EVALUA are available online, allowing citizens to monitor the public programmes, increasing the government's transparency and accountability.

Over 2013-16, among other results, MIDE Jalisco and EVALUA Jalisco strategies received 15 awards as good practices, including from CLEAR, the OECD, the World Bank and the Inter-American Development Bank.

*Source*: Inter-American Development Bank based on Jalisco.gob.mx, https://seplan.app.jalisco.gob.mx/mide/panelCiudadano/inicio.

### Sub-national levels of government require strengthening institutional capacities

Most Latin American governments have decentralised decision-making and budgetary powers. Decentralisation, a key aspect of public sector reform, consists of transferring a range of political, administrative and fiscal powers, responsibilities and resources from the central government to elected sub-national governments (OECD, 2017h). The process is associated with increasing the state's effectiveness and reducing territorial disparities. Decentralisation is often considered as a means to improve public-spending effectiveness based on the idea that sub-national governments have better information on local spending needs and preferences, and as a result are better positioned to deliver public goods to citizens (OECD, 2013b).

Although LAC countries remain more centralised than most of their counterparts in the OECD, there is a latent need to strengthen the administrative capacities at the sub-national level. Decentralisation processes took place even though countries still faced critical differences in capabilities across regions within countries. Usually, some peripheral or border areas are less developed than central or federal levels of government. This mismatch between the capacities and responsibilities of local institutions undermines decentralisation by affecting implementation, integration of policies and, ultimately, service delivery. Mismatching regionalisation across policy sectors undermines the design and implementation of co-ordinated and adequately targeted efforts in social programmes. This phenomenon has occurred in both federal countries such as Argentina and Brazil and unitary countries such as Colombia or Peru (OECD/ECLAC/CIAT/IDB, 2017), as well as the Dominican Republic (OECD, 2017i).

Decentralisation works efficiently when a number of conditions are met. These are linked to adequate capacities at sub-national governments, sufficient resources to meet new responsibilities, balance in the way various policy functions are decentralised, and effective co-ordination instruments and monitoring systems at the central government level. Likewise, decentralisation processes entail at least two main challenges in terms of governance. First, successful decentralisation processes depend on the institutional and fiscal capacity of the sub-national bodies to which power is transferred. Second, policy dialogue and co-ordination between levels of government are crucial to long-term sustainability. However, there is no single optimal level of decentralisation, either for the central public-policy sector or for the entire public administration. This is because sharing and applying competencies remain strongly context-dependent. They depend on many internal and external factors, including the overall economic performance and institutional environment of the given country (OECD, 2013b). Notwithstanding, clarity in the roles and responsibilities attributed to each level of government remains a critical driver for success (Allain-Dupré, forthcoming).

Fiscal and political decentralisations in most LAC countries have faced significant challenges. The budgets of local governments have significantly increased in the last decade and a half. However, local governments have failed to generate their own revenue, resulting in vertical budgetary imbalances. Instead, sub-national governments have relied heavily on transfers from the central government that often undermine already weak fiscal capacities and the effectiveness of public service delivery (see Chapter 4).

Decentralisation also leads to greater administrative, financial and/or socio-economic interdependence between the central and sub-national governments. Weak co-ordination and co-operation practices at the political and administrative levels can greatly undermine efforts to achieve policy coherence (OECD, 2013b). In this context, multi-level governance reforms – that reshape and improve interaction between public authorities given a new, mutually dependent context – become fundamental to ensuring coherent and effective policy decisions (OECD, 2017h).

Multi-level governance is a way to overcome existing gaps in decentralised countries. Co-ordination failures can lead to serious inefficiencies such as overlaps between different institutions. This, in turn, can cause confusion and misallocation of important resources, bureaucratic conflicts and problems being passed from one agency to another without resolution (Alessandro, Lafuente and Santiso, 2014; OECD, 2017i). Additionally, the "gap approach" argues greater coherence in public action is essential to achieve public-policy outcomes such as efficiency, equity and sustainability. Thus, a whole-of-government approach, emphasising co-operation and co-ordination, is crucial. Strong CoGs can support greater co-ordination between sub-national and national level institutions to better ensure more effective policy and service delivery. This is especially the case when CoGs are complemented by effective dialogue mechanisms that bring together relevant actors from different levels of government.

**Regional development should enhance inclusive growth**

LAC countries need to take a more comprehensive approach in managing growth and development of their cities and rural areas. Many of the LAC countries have very diverse regions that are at different stages of development. Chile, Mexico, Peru and

Brazil have very high levels of disparities in GDP per capita by OECD standards. In the OECD regional database, seven of the eight countries with the highest levels of territorial inequalities are from LAC.

Overall, LAC countries need policies focusing on boosting regional development to achieve a territorial equilibrium of inclusive growth. In Brazil, for instance, there is a latent need to overcome the multi-dimensional fragmentation of policies. A number of interesting programmes, especially in poverty reduction (e.g. the *Bolsa Família*), are fragmented and lack a co-ordinated whole-of-government and regionally designed approach (OECD, 2013c). In Peru, rural areas contribute significantly to the national economy, but are not performing to their potential (OECD, 2016c). Colombia has high and spatially concentrated income disparities, which may hinder national performance in the medium term (OECD, 2014b).

## Administrative processes can benefit from digital technologies

Adopting ICTs in the public sector has the potential to streamline administrative processes to deliver better services. Digital governments are drivers to produce better services and foster value creation, while creating open, participatory and trustworthy public sectors. In this respect, improving the public sector's use of broadband and ICTs can serve a double purpose. On the one hand, it contributes to more effective and responsive public services, while enhancing interaction between citizens and businesses. On the other hand, it enables the public sector to build more direct relations with its constituents and develop more transparent, accountable and participatory forms of governance in a cost-effective way.

LAC governments have improved their use of technology to deliver services, but gaps remain related to three challenges. Countries need to integrate government data. They need to simplify the back-office processes required to provide services. And they must continue the improvement of services through the re-use of data, performance metrics, high-level oversight and impact evaluations. Inasmuch as governments use data as a strategic asset to boost public sector intelligence, they can improve services as well as their capability to develop sustainable and inclusive policies (OECD, 2016d).

Performance in online services, telecommunication capabilities and educational levels to take advantage of information technologies has improved in LAC as measured by the *E-government Index* (EGDI) developed by the United Nations. This index focuses on the dimensions of e-information, e-consultation and e-decision making, assessing engagement of citizens in use of digital government services (United Nations, 2017).

The scores of both *E-government* and *E-participation Indexes* show that performance in LAC and OECD member countries improved in 2016 relative to 2003 scores with the former's performance below the latter. The *E-government Index* score improved from 0.44 to 0.53 in LAC and from 0.69 to 0.79 in the OECD economies, on a scale from 0 to 1. On the same scale, the *E-participation Index* scores increased from 0.24 to 0.52 in LAC and from 0.44 to 0.78 in OECD countries (Figure 3.15). These changes suggest that the up-taking and demand for online government services have been higher than the improvement of the services themselves. This exposes the need for a systematic and consistent approach to achieving sustained public sector productivity improvements in terms of digital government.

Figure 3.15. **UN E-government and E-participation Indexes**

**Panel A. E-government index**



**Panel B. E-participation index**
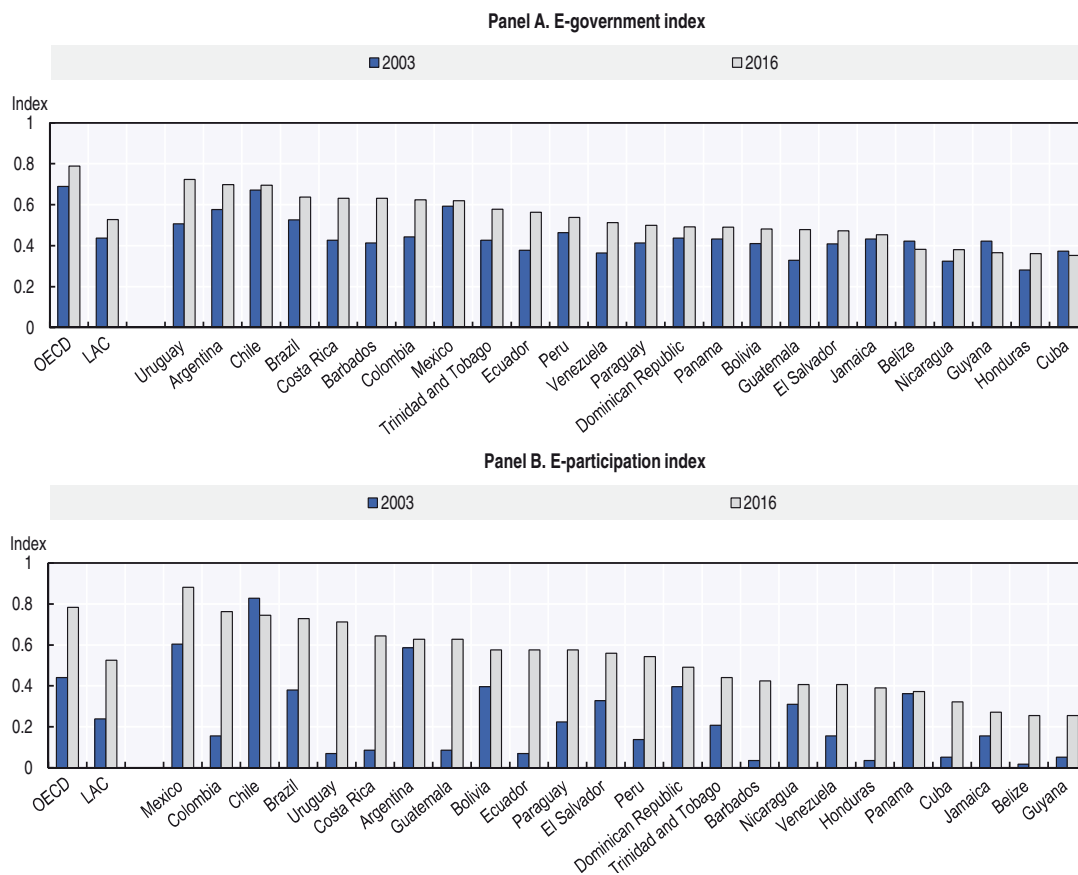


*Note*: The E-government and E-participation Indexes range from 0 to 1, with higher values corresponding to higher performance.

*Source*: United Nations E-Government Surveys 2003 and 2016, United Nations, https://publicadministration.un.org/egovkb/en-us/reports/un-e-government-survey-2016.
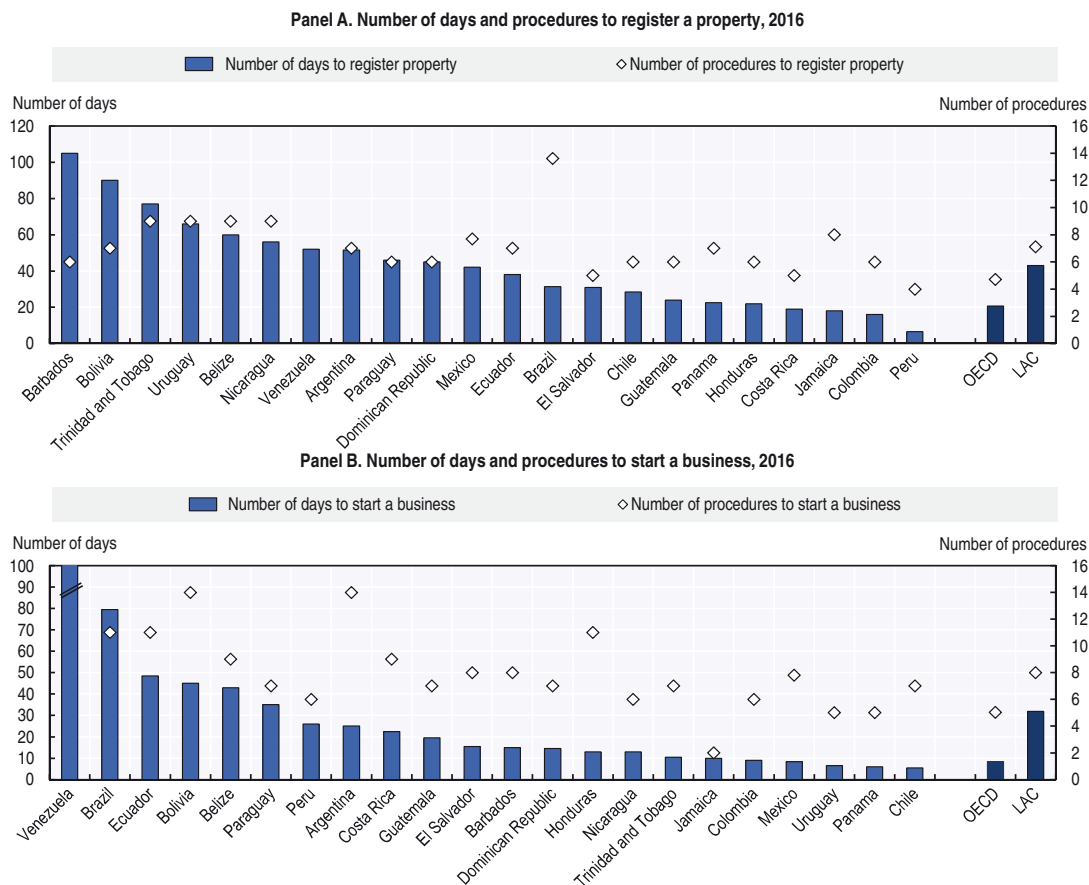
*StatLink* http://dx.doi.org/10.1787/888933651026

**Citizens are dissatisfied with many government services**

According to a survey in Chile, Ecuador, Panama, Paraguay, Trinidad and Tobago and Uruguay, LAC citizens are dissatisfied with transactional public services encompassing a wide variety of services. These services range from applying for public programmes, licences or permits to fulfilling obligations such as registering property and businesses, and filing and paying taxes (IDB, 2017). Citizens' experience with public services is a key determinant of satisfaction and trust levels in governments (OECD, 2017g).

Transactional services in LAC are bureaucratic, fragmented, and normally lengthy, with citizens having to interact with different public institutions on several occasions (IDB, 2017). For example, the number of procedures required to register property in LAC is similar to OECD countries, but takes twice the time to complete. The same is true for individuals or enterprises trying to start a business. It takes 8 procedures and 32 days to start a business in LAC compared to 5 and 8 in OECD economies (Figure 3.16). This highlights an area in which LAC countries stand to make quick gains by using digital tools to improve on the deliverance time of these services.

Figure 3.16. **Length of time and interactions of property and business registration in LAC and OECD, 2016**

Panel A. Number of days and procedures to register a property, 2016



Panel B. Number of days and procedures to start a business, 2016



*Source*: OECD/ECLAC/CAF based on World Bank (2017b), *Doing Business*, http://www.doingbusiness.org.
StatLink ᵃⁱˢᵖ http://dx.doi.org/10.1787/888933651045

Eliminating redundant and paper-based transactions and setting up one-stop windows that improve the quality of services and facilitate citizens' interaction with governments are effective approaches to improving the delivery of services (OECD, 2017i; OECD, 2016b; OECD, 2014c). Building inter-institutional platforms for information consultation and verification in LAC greatly improves the user's experience. Improving transactional services can make institutions more productive and dramatically increase citizens' favourable perception of governments. To this end, improving public services should focus on reducing costs, saving time, efficiency and ease of services. They should provide professional, impartial and competent services as these are the characteristics citizens value the most in public services (IDB, 2017). Successful experiences include those of European countries. In 2012, the European Commission estimated that all European public administrations using e-procurement procedures could save an aggregate of at least EUR 100 billion per year and that e-government could reduce costs by 15 to 20% (European parliament 2015).

*"Chile Atiende"*, for example, centralises services for citizens. This programme builds on the needs of citizens and strives to simplify interactions between the state, citizens and businesses. It can track interactions, offering services based on individual preferences and characteristics. Prior to this innovation, citizens interested in a state-provided service had to identify which institution delivered the service and where

its offices were located. They then had to contact them to find out the requirements to access the service. This entailed costs for the citizen in terms of time and money (OECD, 2017b).

Digital tools are a core component of public sector modernisation efforts and a strategic asset for policy making and delivering improved services. However, digital tools and ICTs should not substitute for efforts to redesign good processes and public sector co-ordination. At the same time, processes can be redesigned to take full advantage of the possibilities of ICTs, especially when rekindling processes in a citizen-centric manner (Box 3.6). Digital-by-default strategies have proved to have positive impacts in Europe. Services that are digital-by-default are designed from the beginning to be so compelling that everyone who can use them will choose to do so. This means that the vast majority of transactions will be handled electronically. In its Government Digital Strategy, the UK estimates that about 18% of its population will need help through an "assisted digital service". The European Commission estimates that at the EU level, a digital-by-default strategy could save around EUR 6.5 billion annually (around 0.04% of the EU-28 GDP) (European parliament 2015).

Likewise, co-ordination among different government institutions is critical to simplify any service. Effective co-ordination is hard to achieve and may depend on each government's capacity. Notwithstanding, co-ordination calls for three specific components: i) articulating and communicating the specific objectives the new processes strive to reach; ii) consulting to find out the opinion of relevant stakeholders and to incorporate their input during redesign; and iii) securing high-level political support and policy awareness (OECD, 2014d).

Governance frameworks ensure that digital government translates into transparent, efficient, inclusive and long-term benefits for citizens. These frameworks should engage all key actors and political support from the outset. Moreover, governance frameworks should set strategic priorities and long-term policy outcomes from the beginning, thereby aligning decisions on projects across the public sector with the government's overarching priorities. Many of the benefits of digital government policies rely on coherent policy frameworks and their effective implementation. Clear and defined goals will also contribute to foster collaboration across and within public agencies and departments. As more data and records are produced, collaboration and exchange on data, their ownership and purpose become more relevant. This, in turn, provides opportunities to optimise, automate and simplify procedures within and across institutions, ultimately leading to the reduction of expenditures and transactional costs in the long run. Furthermore, as public resources are freed from having to maintain individual registers and datasets they can be reallocated to more productive tasks (Ubaldi, 2013; OECD, 2016d).

Ensuring coherent use of digital technologies by promoting the use of compatible technologies and proper update of ICT frameworks across policy areas and levels of government remains a challenge for LAC countries. Beyond the use of digital tools to deliver citizen-centric services, governments can no longer afford to separate efficiency from societal policy objectives. To that end, they need digital technologies to support policy design, implementation and evaluation (OECD, 2016e). They must pursue these goals while developing and reinforcing capacities to manage and monitor digital strategies and assess their outcomes. This process goes beyond the deployment of technologies. It encompasses a technical knowledge in the acquisition of ICTs and well-structured governance with strong leadership. Further, it demands rethinking services to empower all citizens, not only those who are technologically savvy or connected.

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### Box 3.6. **Colombia: The importance of clear language**

Unclear or complicated language in government communications creates costs for citizens and government officials. Often citizens cannot access government services or programmes because they do not understand what they need to do, the paperwork required or their eligibility for it. Most of the time, this happens because government communications are lengthy and difficult to understand. They are filled with legal and technical language that is not clear or easily understood by the average citizen. In many cases they pay high fees to accountants, lawyers and others to do the paperwork. Or they must travel multiple times to agencies to clarify their doubts. It also generates costs for government officials who may spend time clarifying, reviewing and rejecting incorrect forms. This results, at a minimum, in inefficiencies for both citizens and the government. It can also indirectly violate citizens' rights denying them access to the services to which they are entitled.

The National Planning Department of Colombia, through its National Citizen Service Programme, launched the Clear Language Strategy in 2014 to address this issue. The programme seeks to improve the relationship and trust between citizens and the government by simplifying and clarifying the language used in public documents, forms and letters. This strategy, as part of Colombia's commitments with the Open Government Alliance, has been developed and implemented so far in 115 public institutions in the country.

The strategy has three main tools:

- Simplification labs: a methodology to simplify the documents of entities whose programmes and services have the most impact on citizens' lives. In these labs, citizens and public officials analyse forms and communications in focus groups. They propose changes of language, format and other elements to make them easier to understand and more accessible.

- The Clear Language guide for public officials and the ten steps to communicate using clear language infographics: These guides present the consequences of not having clear language, including costs to citizens. They provide practical recommendations to facilitate communications between the government and citizens, providing clear and actionable advice and writing strategies.

- The Clear Language Course: Composed of four sections that present the main aspects of clear language in its written, verbal and structural forms. The course is intended to build capacity among public officials.

To date, this strategy has simplified more than 100 forms, documents and letters. In this way, the government seeks to improve trust in the public sector, promote social inclusion, guarantee that citizens have full access to their rights, increase participation and promote transparency.

*Source*: Inter-American Development Bank based on National Planning Department (2015).

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## Towards a new connection with citizens: Fostering open and transparent states

The increasing disconnection between citizens and public institutions in LAC, illustrated by the erosion of levels of trust and satisfaction with public services, is explained by state failures and weak capacities complemented by a lack of strong channels of interaction with society. This leaves policy makers with limited information, even

more so in a context of rapid technological change and increased interconnectedness that transforms aspirations at a fast pace. Better understanding citizens' needs, experiences and preferences can result in better targeted services, including for underserved populations often at little extra cost (OECD, 2017g).

A way forward is through open government and transparent governments that empower citizens through participation mechanisms. ICTs and digital tools are important instruments to deliver improved cost-efficient and effective services to citizens in all areas of policy making, as previously stressed. Governments can also become more responsive through the use of open and big data to deliver user-driven services, anticipate future demands and create value within and outside government. All of these elements require a meticulous governance framework to ensure co-ordination, collaboration and capitalisation of the benefits of open governments.

## New models, namely open data and big data analytics, are emerging to address citizen demands

Citizens' expectations and demands in LAC are dynamic and evolving, challenging the traditional models through which states address and deliver services. Improving the administrative capacity of the state solves part of the problem. However, institutions are still faced with a conundrum. They must uncover the best way to address citizens' current and rapidly evolving demands. And they must respond to them in an innovative and effective manner with little or no room for costly trial and error.

While no easy and all-encompassing solutions exist, several powerful tools offer viable alternatives. These include opening governments to outside participation, fostering the reuse of data within and outside the public sphere and using ICTs. Indeed, many countries and cities are already developing innovative alternative practices in the public sector. For example, they are developing labs for government innovation, using technology to digitalise forms and procedures and using open data and big data analytics to improve public policies.

### Open data and big data analytics are flourishing, but not yet embedded in government

Open data initiatives are flourishing in LAC. Open data are usable disclosed data that can be reused and distributed without restrictions of any kind (ECLAC, 2014). Open data are a pillar of open government, a management strategy with potential to strengthen democratic governance by giving citizens a participatory role (Naser, Ramírez-Alujas and Rosales, 2017). Other open government pillars are transparency, accountability and comprehensive governance frameworks to enable citizen participation. Each of these pillars enables benefits on its own. This section, however, focuses on open data as a driver of potential innovation, value creation within and outside of government and as an enabler of more impactful policies.

As many as 8 of 13 LAC countries acknowledged the central or federal level of government had a comprehensive strategy on open government data (OGD). Similarly, a majority of countries (ten) have developed a national OGD portal (Table 3.3). Results also showed that only 54% of LAC countries consulted on users' needs for data release. Data re-use support and promotion initiatives among countries also vary. For instance, the organisation of co-creation type events (e.g. hackathons) is slightly more common than training activities for civil servants to build capacities for data analysis and re-use (OECD, 2016b).

Table 3.3. **Government support to open government data initiatives, 2015**

| Country | Strategy/Infrastructure | | Consultations | Data re-use support and promotion | | Data accessibility on the national portal | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Single central/federal OGD strategy | Existence of a national OGD portal | Regular consultation of users' needs for data release | Organisation of co-creation type events (e.g. hackathons) | Training for civil servants to build capacities for data analysis and re-use | Data released in CSV format (machine readable) | Systematic provision of metadata | User feedback section | Possibility to receive notification when datasets are added |
| Argentina | Yes | Yes | Yes | Often/Generally | Sometimes | Often/Generally | Yes | No | No |
| Brazil | No | Yes | No | Often/Generally | Sometimes | Often/Generally | Yes | No | No |
| Chile | Yes | Yes | No | Often/Generally | Sometimes | Often/Generally | Yes | Yes | No |
| Colombia | No | Yes | Yes | Often/Generally | Sometimes | Often/Generally | Yes | Yes | No |
| Costa Rica | No | Yes | Yes | Sometimes | Sometimes | Often/Generally | Yes | Yes | No |
| Dominican Republic | Yes | Yes | No | Sometimes | Sometimes | Often/Generally | Yes | No | No |
| El Salvador | No | No | No | Missing data | Missing data | Not applicable | Not applicable | Not applicable | Not applicable |
| Guatemala | Yes | No | No | Missing data | Missing data | Not applicable | Not applicable | Not applicable | Not applicable |
| Mexico | Yes | Yes | Yes | Often/Generally | Often/Generally | Often/Generally | Yes | Yes | No |
| Panama | Yes | No | No | Missing data | Missing data | Not applicable | Not applicable | Not applicable | Not applicable |
| Paraguay | Yes | Yes | Yes | Often/Generally | Sometimes | Often/Generally | Yes | Yes | Yes |
| Peru | No | Yes | No | Sometimes | Sometimes | Often/Generally | Yes | No | No |
| Uruguay | Yes | Yes | No | Often/Generally | Often/Generally | Often/Generally | Yes | Yes | Yes |
| **LAC total 13** | | | | | | | | | |
| Yes | 8 | 10 | 7 | | | | 10 | 6 | 2 |
| No | 5 | 3 | 6 | | | | | 7 | 11 |
| **OECD total** | | | | | | | | | |
| Yes | 25 | 29 | 24 | | | | 20 | 21 | 10 |
| No | 5 | 1 | 6 | | | | 8 | 7 | 18 |

*Source:* OECD (2016b), *Government at a Glance, Latin America 2017,* http://dx.doi.org/10.1787/9789264265554-en.

An open data culture is improving within government institutions in the LAC region. The OECD index on open government data assesses governments' efforts to implement open data in three areas. These comprise data availability; accessibility on the national portal; and governments' support to innovative re-use of public data and stakeholder engagement, based on OGD principles (Ubaldi, 2013). Colombia, Mexico, Uruguay and Paraguay are the highest ranking countries. On average, LAC countries (0.56) perform slightly better than the OECD countries (0.55) on a range from 0 to 1. Both regions score similarly on data availability, accessibility and government support to the re-use of data (Figure 3.17). However, the fact that a larger share of LAC countries did not develop a central national portal for accessing and reusing OGDs should not be overlooked (OECD, 2016b).

Open data availability and adequate co-ordination between public and private parties offer solutions to public policy problems. Through "Autoservicio.uy" in Uruguay, for example, data availability can lead to co-creation and co-ordination between government (the Ministry of Health) and civil institutions (DATA Uruguay). The collaboration can bridge asymmetries of information in the public and private health-care sector and improve citizens' decision-making process. The platform provides timely information on public and private health practitioners, including waiting periods, prices and user satisfaction. The data are presented in a friendly and intuitive manner to facilitate citizen uptake and use (Naser, Ramírez-Alujas and Rosales, 2017).

Figure 3.17. **Open, useful, reusable government data (*OURdata* Index), 2016**
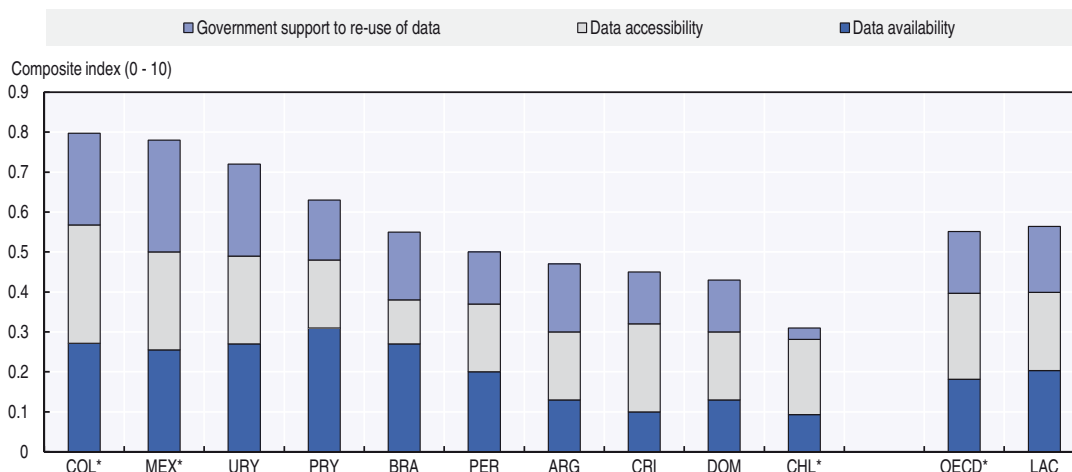


*Note*: Data marked with an asterisk for OECD, Chile, Colombia and Mexico refer to 2017.
*Source*: OECD (2017e), *Government at a Glance 2017*, http://dx.doi.org/10.1787/gov_glance-2017-en; and OECD (2016b), *Government at a Glance, Latin America 2017*, http://dx.doi.org/10.1787/9789264265554-en.
*StatLink* http://dx.doi.org/10.1787/888933651064

Improving open government data to foster value creation is a pending challenge for the region. Latin America and the Caribbean's OGDs are still not as relevant in the creation of value as those in OECD economies (OECD, 2014c). One of the reasons for this underperformance is the existing gap of available OGD in the region. LAC countries do not always provide data (free, re-usable and machine-readable data) that can be analysed and re-used. Furthermore, civil servants lack training to build capacities for data analysis and reuse of data as a means to improve innovation within the public sector (see Table 3.3). Regular consultations with society and the private sector are also absent. These activities can ensure directing efforts towards producing data that will benefit or satisfy a real demand.

Some LAC governments are taking action to promote the reuse of data towards the creation of public value. There are different ways in which governments can promote co-creation events. According to the OECD Open Government Data Survey 2.0, hackathons, code sprints, apps challenges and software development contests for the creation of apps and widgets are among the most frequently used practices by OECD countries to spur open government data reuse. In Colombia, the e-Government Innovation Centre and the *"Urna de Cristal"* enable a variety of stakeholders, including public sector, academia, NGOs, private sector and entrepreneurs, to solve public issues together in creative ways (OECD, 2017j). In Mexico, the government leads the *"Retos Públicos"* initiative that brings it together with social and business innovators to re-use data and develop solutions to specific policy and public service delivery issues. It publishes calls for proposals online on the central open data portal www.datos.gob.mx and awards public funds to develop selected projects. The final mobile applications, showcased on the portal, are available for free download. Line ministries such as transport (SCT), education (SEP) and environment (SEMARNAT) are actively involved in the initiative. It also engages public bodies such as the National Council for Culture and Arts (CONACULTA) and the Consumer Protection Agency (PROFECO) (OECD, 2016f).

Major efforts are needed to bolster impact evaluations on open government initiatives in LAC to ensure they deliver "value for money". Impact evaluations are essential to ensure that open government initiatives achieve their goals and remain cost-efficient

alternatives to bridge the gap between citizens and governments. These evaluations can also improve the design of future projects. Currently, they are scarce in the region. All LAC countries surveyed reported monitoring their open government initiatives. However, only Costa Rica, the Dominican Republic, Guatemala, Mexico, Panama and Uruguay evaluated the impact of such initiatives (OECD, 2016b).

**The potential of big data analytics is promising for the region**

LAC produces and collects large volumes of data, and needs to use them more effectively. The region generates data through open government initiatives, government agencies and the advent of the Internet of Things. At the same time, improvements in data storage and the speed of production velocity have aided data collection. These data can positively impact different areas of public policy. Many examples exist of how large volumes of data have led to create value, determine quality of research, prevent the epidemic of diseases, prevent crime and determine real-time roadway traffic conditions.

Big data enable moving from descriptive to predictive methods that can help the public and private sectors to anticipate or prevent instead of react or remediate (Ubaldi, 2013; ECLAC, 2014; and Davies, 2016). Big data are a collection of datasets, structured and unstructured, generated at great speeds. They are so large and complex that analysis requires (non-traditional) advanced database management tools and data processing applications (OECD, 2015b). Indeed, "big data" initially referred to data for which the large volume became difficult to manage and process.

The analysis of big data is providing cost-effective solutions to improve public services and development outcomes in many fields in LAC. Its use has produced tangible results in various sectors of the LAC region. In Brazil, big data analytics reduced the incidence of dengue by 98% in 2014. The use of hospital information had helped identify hotspots that were later prioritised through geo-referencing (ECLAC, 2014). Transportation is also benefiting from ongoing data analytics carried out in this area. Data produced by SUBE in Argentina and other initiatives in Bogota are exploiting these data to improve traffic flows and provide better public transportation services.

Applications of big data can also improve the government's spending efficiency and combat tax evasion. The process of data cross-referencing from different registries can lead to better focused social expenditures, particularly of conditional cash transfer programmes or subsidies. In Argentina, the design and implementation of an algorithm to identify individuals based on their most salient characteristics produced savings close to USD 120 million (around 0.06% of total tax revenues in 2015) between 2014 and 2015 on subsidies paid in respect of transportation and energy (Pessino, 2017). Likewise, big data offer the potential to identify tax evaders by cross-referencing lifestyle patterns reflected on social media with tax liabilities. This process can lead to individual audits by the tax administration. Proper mechanisms should be enforced to safeguard individuals' right to privacy, however. These processes through which individuals can be cross-referenced are not always readily available in all countries.

Public, private and non-government agencies around the world are embracing these innovations. They use them for problem solving, searching for new and better models and the creation of value. Certainly big data can be used to analyse and monitor outcomes of interventions and to anticipate demands and improve the allocation of public resources. However, measurement errors, inter-temporal trends, seasonality or other problems can lead to bias in the analysis and reach wrong conclusions. The great predictive capacity of models based on big data is based upon correlations between variables without attempting explanations, let alone addressing issues of causality (ECLAC, 2014).

In the LAC region, the civil service has evolved during the last decade (IDB, 2014), but technical gaps in core functions remain that can prevent the effective use of these data. The gaps in the LAC civil service are both related and not related to ICTs. Training is not among the main components within the open government data agenda. Therefore, governments in LAC need to attract individuals to the civil service with a solid knowledge of computer science, application-programming interfaces (API), modelling, statistics, analytics and mathematics. Only in this way can it capitalise on the potential benefits of big data.

**Innovation labs promote creativity and citizen participation**

National and sub-national administrations in the LAC region have created public innovation labs within an open government agenda to respond to greater demands of participation, open data, transparency and co-creation to deliver better public services (Acevedo and Dassen, 2016). These labs are typically small units within core public institutions. They perform activities not traditionally associated with traditional public sector institutions. As such, they offer a viable alternative to capitalise on opportunities offered by technology and recent advances in the social sciences. The labs have the flexibility and ability to assemble multidisciplinary teams and reach out to users and other stakeholders. This provides valuable input into designing cost-effective, risk-taking small pilot projects that respond to citizens' needs.

By definition, these labs are focused on innovation. Yet they can pursue this goal while being fiscally responsible and minimising public backlash for failure. Indeed, tolerance for failure is embedded in innovation labs' culture. A survey of innovation lab directors found that 86% of innovation labs included failure, either explicitly or implicitly, within their government mandates (Acevedo and Dassen, 2016).

Innovation labs employ a user-centric approach to deliver tailor-made solutions to meet service requirements (IDEO.org, 2015). Labs' objectives and methods reflect a focus on leveraging the views of citizens in the policy processes. Methods such as *human-centred design* or *design thinking* are increasingly being used to provide solutions to governments' needs. These methods put users in the centre of the policy design and use creative tools to foster innovation in interventions offered to people.

The iterated experimentation of reduced-scale pilots is a critical activity within innovation labs. However, rigorous testing before scaling them is still very rare (Acevedo and Dassen, 2016). Tested projects aim to produce enough robust information to have service delivery agencies across government to adopt the lab's products. However, innovation labs do not have their own operational responsibilities or deliver any public service directly. As a result, embedding these labs among agencies responsible for the delivery of public services continues to be a challenge.

In LAC, innovation labs usually promote collaboration and citizen engagement. Most are created as a special component of open government agendas. Some labs created engagement platforms such as *mi Quito*, *mi Medellín*, *Bogotá Abierta* or *Ágora Rio*. In addition to promoting the inclusion of citizens' views, Latin American labs tend to work across multiple sectors, including the public and the private sectors, NGOs and academia.

Innovation labs have spread around the region, devoted to different objectives depending on the most tangible issues in each country. The Social Innovation Lab in Uruguay, for example, focuses on innovation for open government (Box 3.7). It usually helps public institutions to digitise and implement complex procedures. The lab follows the premises of human-centred design and co-creation of public value. To that end, design takes into account user perspectives, adapting results to their needs and preferences.

Box 3.7. **Innovation labs: The cases of Uruguay and Rio de Janeiro**

Uruguay established its Social Innovation Lab in 2015 within the Agency for e-Government and Information Society (Agencia para el Gobierno Electrónico y Sociedad de la Información, or AGESIC). It supports a key presidential objective: 100% availability of administrative procedures and public services online.

The lab was tasked with simplifying complex procedures and services through digitisation. Integrating components traditionally associated with design thinking, it begins with participatory observation and interviews with typical users and public servants in charge of each procedure. After identifying the main problems in each case, the lab hosts a workshop. A collective discussion (including both users and public servants) generates an ideal online procedure. After this, the developer's team creates a prototype that is tested and redesigned as needed. As of 2017, the lab helped digitise 33 bureaucratic procedures considered complex by service delivery agencies.

The effectiveness of the lab is due to various factors, including its institutional position and support from leadership. It began as a support unit for implementation of a presidential objective. This position allowed the lab to rapidly expand its service across different government agencies (which not all labs can easily do). Furthermore, its membership with AGESIC opened the door to collaboration with other organisations. AGESIC, an agency that has developed strong networks across government, is usually considered an effective and trustworthy support entity.

In Brazil, Rio de Janeiro's policy innovation ecosystem is marked by a complementary approach involving several agencies. Until the recent change of the mayor in December 2016, Lab.Rio supported city agencies with open government and citizen engagement initiatives; PENSA undertook complex data analytics; and the Operations Centre did real-time monitoring of city data.

Although different in nature and objective, these three agencies complemented each other. Belonging to the Chief of Staff Office, PENSA was in charge of improving monitoring and planning through the use of diverse and often non-conventional data. The unit put together – and continuously integrated – datasets from diverse city agencies, as well as from companies and organisations such as Waze, Twitter, Tim and Open Street Maps. These data were later cross-analysed to find patterns and associations that could guide policy innovations and inform planning. These analytics were then applied to the reduction of dengue, the improvement of transit, the reduction of water and energy use, the estimated return on investment for transport infrastructure and other issues.

In a similar vein, the Operations Centre runs a geo-referenced information platform that compiles layers of data from diverse sources. These sources include traffic, climate and Twitter, as well as more than 1 000 surveillance cameras, 500 inspectors and other public servants, among many others (Schreiner, 2016). The centre offers the infrastructure for centralised management to handle major events and emergencies. Digital and other widely-used apps offer citizens real-time information and direct communication channels.

Lab.Rio brings the state closer to civil society, creating mechanisms for citizen participation and stimulating digital debate about policy issues. The lab classifies its more than ten initiatives on a participation scale that includes the stages of information, consultation, engagement, collaboration and empowerment. By 2016, more than 165 000 people had interacted with government using the labs' platforms.

*Source*: Inter-American Development Bank based on Acevedo and Dassen (2016).

### The demand for transparency is driving the move towards open government

Open government can be an effective instrument to encourage transparency, accountability, oversight and citizen participation. It is defined as "a citizen-centred culture of governance that utilises innovative and sustainable tools, policies and practices to promote government transparency, responsiveness and accountability to foster stakeholders' participation in support of democracy and inclusive growth". These strategies also improve public sector innovation and render policy-making processes more representative, inclusive and effective (OGP, 2017; OECD, 2016g).

Open government agendas in LAC have recently proliferated, although these openings vary from country to country. In most LAC and OECD member countries, the demand for transparency within the public sector has been the main rationale behind open government agendas. Other countries pointed to the need for open channels to enable citizens to participate in the policy-making process. Only Panama cited the necessity for accountability within the public sector to explain its agenda (Table 3.4).

#### Table 3.4. **Objectives of open government (2015)**

| Country | Main objective |
|---|:---:|
| Argentina | ○ |
| Brazil | ● |
| Chile | ● |
| Colombia | ● |
| Costa Rica | ● |
| El Salvador | ○ |
| Guatemala | ● |
| Mexico | ■ |
| Panama | ♦ |
| Paraguay | ● |
| Peru | ● |
| Dominican Republic | ○ |
| Uruguay | ● |
| **OECD 35** | ● (30) |
| **LAC 13** | |
| ● | 8 |
| ○ | 3 |
| ■ | 1 |
| ♦ | 1 |
| **Legend** | |
| ♦ | Improve public sector accountability |
| ● | Improve the transparency of the public sector |
| ○ | Improve citizen participation in the development of public policies |
| ■ | Other |

*Source:* OECD (2016b), *Government at a Glance, Latin America 2017,* http://dx.doi.org/10.1787/9789264265554-en.

Movements and organisations that promote and assess open data initiatives have gained traction around the globe. These institutions work in collaboration with governments, the private sector and civil society to measure perceptions of corruption through surveys (Transparency International, 2017), disclosure of information and citizen engagement in the public policy-making process.

The adoption of comprehensive open government strategies is gaining political terrain in LAC. In fact, 62% of LAC countries have adopted national strategies on open government,

while the remainder acknowledge lacking a comprehensive strategy in this area (OECD, 2016b). Furthermore, 16 LAC countries have signed the Open Government Declaration, a multilateral initiative from the Open Government Partnership. It aims to secure concrete commitments for promoting transparency, fighting corruption and empowering citizens. Of the 16 signatories, 11 have already presented second or third-generation action plans, highlighting their commitment to the initiative (World Justice Project, 2016). Despite these political commitments, open government roll-out is still in the making, and its impacts on social and economic developments remain to be seen (OECD, 2014c).

**Availability of public information could be further improved**

Despite commitment to transparency as the main rationale behind open government strategies in many LAC countries, public information availability can be further improved (government laws, legal rights and public data). The *Open Government Index*, which ranks 102 countries on their government openness, showed that publicised laws and government data in LAC lag behind other assessed features such as right to information, civic participation and complaint mechanisms (Table 3.5).

LAC countries also need to raise people's awareness of their right to access public records. As well, they need to improve the responsiveness to requests for public records, specifically with respect to timeliness, pertinence and relative cost. The region fares better on indicators that gauge societies' ability to comment on government policies, sign petitions, hold peaceful demonstrations and voice concerns about public policies, along with their capacity to make complaints about public officials or services (World Justice Project, 2016).

Table 3.5. **Latin America and the Caribbean: Open Government Index 2015**

| | Publicised laws and government data | Right to information | Civic participation | Complaint mechanisms | OGI |
|---|---|---|---|---|---|
| Chile | | | | | 0.68 |
| Costa Rica | | | | | 0.68 |
| Uruguay | | | | | 0.65 |
| Argentina | | | | | 0.56 |
| Brazil | | | | | 0.56 |
| Colombia | | | | | 0.56 |
| Mexico | | | | | 0.56 |
| Belize | | | | | 0.55 |
| Panama | | | | | 0.55 |
| Peru | | | | | 0.55 |
| Dominican Republic | | | | | 0.52 |
| Ecuador | | | | | 0.51 |
| El Salvador | | | | | 0.51 |
| Jamaica | | | | | 0.51 |
| Honduras | | | | | 0.49 |
| Guatemala | | | | | 0.48 |
| Bolivia | | | | | 0.45 |
| Nicaragua | | | | | 0.44 |
| Venezuela | | | | | 0.38 |

*Note:* Colours represent the relative value of each component of the index. Darker colours represent higher values.
*Source:* World Justice Project (2016), *"Open Government Index"*.

National and sub-national governments in LAC countries have increased their disclosure of information, but challenges remain in how they present data to spur citizens' engagement. Transparency policies are a long-term investment with significant short-term costs borne by the private sector, citizens and the government (executive, legislative, sub-national governments). The costs stem from adopting the rules and investing in implementation of the policies (IDB, 2012). Governments invest fiscal resources towards improving data availability, timeliness and usefulness. They believe

the investment will pay off through increased participation of citizens as voters and as consumers of public goods and services.

Public participation mechanisms are still largely absent from policy-making processes in LAC. For example, survey responses indicate such mechanisms are lacking from the budget process. Where they do exist, citizens have no clear guidelines on how to voice concerns or to understand government expectations for their participation (IBP, 2017). Rethinking these mechanisms to empower and engage citizens is a work in progress. It requires improving how governments communicate with their citizens, but also how citizens engage and participate in the policy process to avoid the over-representation of special interests.

Higher levels of corruption perception erode confidence in government in both LAC and OECD economies (Figure 3.18). In a context of high perception of corruption in the public sector, citizens' expectations of eliciting change are low. This results in apathy and non-participation (Molina, 2013). Transparency and data availability can counter this apathy by reducing levels of perceived corruption. Indeed, cross-country data on budget information availability, participation process and oversight are inversely associated with perceptions of corruption. Governments that disclose more budget information and offer ways for civil society to engage with the budget process are deemed to be less corrupt by citizens and the private sector. Given these associations, improving the budget process (information, participation and oversight) might be a first step towards fostering citizen participation, regaining confidence in government and reinforcing the fiscal pact.

Figure 3.18. **Perception of corruption, open budget information and confidence in government**
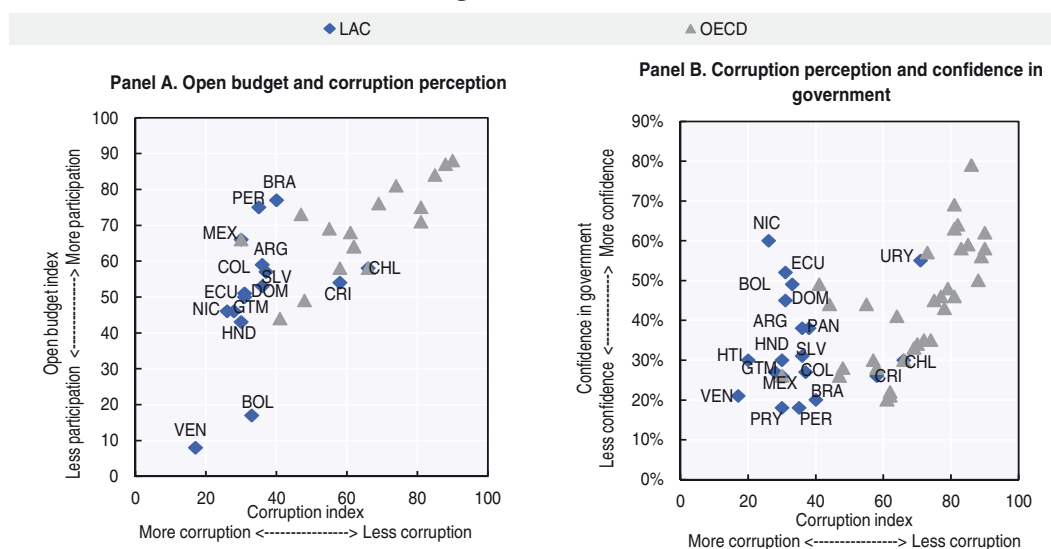


*Note*: The International Budget Partnership (IBP) carries out an open budget survey to establish comparable metrics of budget transparency, participation and oversight. It assesses the amount, level of detail and timeliness of budget information governments are making publicly available to score each country between 0 and 100. Higher scores reflect more budget accountability. Transparency International gauges perceptions of corruption in over two-thirds of the 176 countries and territories in the world. The Corruption Perceptions Index aggregates data from a number of different sources that provide perceptions of business people and country experts on the level of corruption in the public sector. The scale of scores goes from 0 (highly corrupt) to 100 (very clean). Gallup (2017) results are based on the World Poll. They show the percentage of respondents to the question: "In this country, do you have confidence in each of the following, or not? How about national government?"

*Source*: OECD/CAF/ECLAC based on data from Gallup (2017, *World Poll,* http://www.gallup.com/services/170945/world-poll.aspx; IBP (2017), Open Budget Survey, http://www.internationalbudget.org/opening-budgets/open-budget-initiative/open-budget-survey/; and Transparency International (2017), *Corruption Perception Index.*

StatLink ᴍᴤᴘ http://dx.doi.org/10.1787/888933651083

Co-ordination problems and selection bias hinder citizen participation mechanisms in LAC. Even when these mechanisms are in place, failure to co-ordinate among interested citizens might result in policy not being affected. For instance, available mechanisms might require citizens to travel to consultations. Because of these costs, citizens might not be able to participate and voice their preferences and concerns over policies that might directly affect them. In a similar vein, when some groups stand to gain more from policy their incentive to co-ordinate is higher. This might enable such groups to capture policy, potentially steering it from results that benefit most of the population.

New forms of participation in LAC are needed to align citizens' incentives and open space for their participation at lower costs (Box 3.8). Open government initiatives need to embed mechanisms to channel citizens' appraisal and feedback to governments at all levels. More importantly, governments should embrace the opportunity to become more responsive and transparent to help close the confidence gap. Mass social media platforms offer a relatively cost-effective way to open spaces for citizens to directly communicate with public institutions and voice their concerns.

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### Box 3.8. **Participation at the local level: Citizens' councils in LAC**

A number of Latin American countries including Brazil, Colombia, Guatemala, Mexico, Paraguay and Peru have created local citizens' councils to make governance more inclusive and participative. These local spaces bring together representatives of civil society, academics and the private sector to discuss and make decisions about local development issues.

The most notable success of local councils has been allowing marginalised and vulnerable groups to become involved in public decision making that directly concerns them. These include Indigenous peoples, women and even children who created their own council in Colombia, for instance. Furthermore, evaluations of local councils have shown they can lead to direct improvements in service delivery. The first Peruvian Council for the development of Ilo Province, for example, led to important environmental improvements, better supply of basic urban services and increased implementation of sustainable development projects.

Despite their initial success, local councils continue to face important limitations in the LAC region. These include lack of political will from provincial governments and lack of national legislation that creates imbalances between regions. Vague legislation at the federal level also prevents the effective functioning of these local institutions. In some cases, lack of transparency also leads citizens to distrust the council.

*Source:* ELLA (2013), "Increasing citizen participation in local governance: Latin America's local citizen councils", http://ella.practicalaction.org/wp-content/uploads/files/120716_GOV_CitPar_%20BRIEF2_0.pdf

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### Despite growing use of social media by governments, communication rarely flows two ways

Public institutions in LAC are increasingly adopting social media platforms as communication tools: 97.6% of local governments within 61 cities of LAC have an official Facebook account, 90.2% have a YouTube channel and 85.4% a Twitter account (Valenti et al., 2015). Social media offer participation and feedback mechanisms that can make policy processes more inclusive. As such, they can rebuild some confidence between governments and citizens. Governments should be aware, however, that "no one size fits all", and careful consideration of the context is required (Mickoleit, 2014).

The OECD Survey on Open Government (OECD, 2015c) finds that social media and online tools are the preferred option to inform the general public about the existence of open government initiatives. In respondent OECD countries, 94% of governments use these platforms, whereas all 12 LAC countries surveyed indicated they inform citizens online and through social media. Despite the popularity of social media as a channel for citizens to voice their concerns, lack of systematic analysis of data means that communication tends to flow one way: from government to society.

Opening communication and feedback channels on open data initiatives, both inside and outside LAC governments, increases the likelihood of citizen engagement (Box 3.9). Donors, governments and NGOs alike are using social accountability tools to inform citizens and communities about their rights, the standards of services they should expect from private contractors and actual performance. All these aim to encourage public participation (World Bank, 2012).

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### Box 3.9. **Information leads to action**

The Asociación Civil por la Igualdad y la Justicia (Civil Association for Equality and Justice), is a non-profit organisation that monitors public policies. It uses legal tools to fight against inequality, strengthen democracy, protect citizens' rights and address abuses, including corruption in Buenos Aires, Argentina. The association, in partnership with a group of tenant advocates from the same city (Inquilinos Agrupados), used available information to help make housing more accessible.

Both groups gained access to hundreds of complaints against brokers, many of which had gone ignored by authorities. The tenants had complained that brokers were not complying with housing regulations. As a result, they were overcharging tenants on contract renewals or adding unlawful fees. Access to information enabled advocates to depict the magnitude of the abuses and to file against the association representing the city's real estate agencies. The court ruled that brokers charging commissions exceeding the legal limit should be fined.

The data were instrumental both to raise awareness and to form an advocacy strategy that directly led to actions that benefited almost 1 million tenants. In addition to monitoring, advocacy and litigation, these groups continue to focus on disseminating the court ruling. They strive to educate renters about their rights as a way to empower the citizens of Buenos Aires. This is an example of how access to public information can be instrumental in leading to action and change.

*Source:* Pilo (2017), "In Buenos Aires, right to information helps renters get a foot in the door", www.opensocietyfoundations.org/voices/buenos-aires-right-information-helps-renters-get-foot-door.

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### The region needs to adopt best practices for open government

According to the results of an open data survey, LAC countries need to adopt best practices to make open government viable, effective, sustainable and suitable in the longer term. These practices, identified by several organisations, depend on each government's specific situation and organisation (ODI, 2015; OECD, 2016g, 2015c, 2014c).

As many as 10 out of the 13 LAC participating countries noted resistance to change or reforms in the public sector as a major constraint to implementing open government initiatives. Governments should foster change in the organisational culture, beginning with management and human resource departments. In this respect, the capacity and skills of civil servants and public employees will greatly determine the success of open government initiatives' design and implementation.

LAC countries viewed lack of funding as an area of concern. As much as 62% of countries find financing a challenge for the co-ordinating institution compared with 43% in OECD member countries. Similarly, all 13 LAC-surveyed countries reported that the institution or ministry responsible for open government projects was the main funding source to implement the initiative. This ratio is also high for OECD member countries at 89%.

Furthermore, 69% of LAC respondents (representing nine countries) receive funds from multilateral organisations to support their open government initiatives. LAC countries need to ensure adequate funding for effective and sustainable long-term implementation of open government. Beyond the absolute amounts needed to implement initiatives, countries need funding sources consistent with the government's goals for open government, and to identify appropriate recipients.

More than half of LAC countries struggle to build effective partnerships with NGOs and the private sector around open government. All told, 54% of LAC respondents reported a lack of, or inadequate, institutional mechanisms to collaborate with NGOs and the private sector as one of three main challenges to consolidating open government. In contrast, 23% of respondents from OECD member countries referred to this as a problem. LAC countries need to strengthen support for open government among external partners to ensure continued demand for open data.

Several LAC countries still generate data manually, especially at lower levels of government. Yet open data require a high degree of information technology involvement for which skilled people are not always available. Therefore, leadership and co-ordination are critical in LAC. Open government will only work well if the government can transition easily to publishing and using data. To that end, all levels of government should promote leadership, co-ordination, human capital and effective organisation as cornerstones to open government, while strengthening monitoring and evaluation for long-term sustainability.

## Conclusions and policy recommendations

This chapter argues that states in LAC face a number of barriers to deliver their functions and respond to citizens' evolving demands. Institutions need to be rethought to support states that are more open and transparent, to improve trust; more efficient and effective, through a better administration and improved governance; and more innovative and forward-looking, to support a new connection with citizens who have new demands and face new challenges in a rapidly changing world.

Based on this assessment, the following institutional policy areas are highlighted as priorities for a reform agenda to make the states deliver in the region.

### Towards trustworthy states

- **Take decisive action to overcome state weaknesses that limit its functions and delivery of more efficient, effective, innovative and trustworthy public services.** Latin America and the Caribbean's trust in the state has declined during recent years despite a period of sustained and solid economic growth. Corruption and poor public service provision are the main culprits of citizens' lack of confidence in government institutions. In a context of a weaker social contract, a decline in trust further erodes the social fabric that enables democratic governance.
- **Foster the rule of law through independent and effective legal institutions.** More adherence to the rule of law has positive spillovers in fighting against institutional over-reaching and crime. It also hinders both policy capture and corruption.

Independent judiciary systems prosecute officeholders' wrongdoings in the public sector with greater frequency. Moreover, legal autonomy is also associated with greater representativeness within the policy-making process. Finally, it creates higher levels of certainty. This improves the business climate by ensuring adequate contract enforcements and protection of property and civil rights.

- **A strong and cross-cutting integrity system across all levels of government, involving the private sector and society, is crucial to fight corruption**. Most LAC countries have already prioritised anti-corruption policies. Yet enforcing policies and promoting a broader culture of integrity within public and private institutions remains challenging. The OECD *Recommendation of the Council on Public Integrity* sets forward different lines of action in this direction, including for anti-corruption.

- **Promote open governments to improve democratic governance.** Open governments give citizens a participatory role and open up new forms of citizen participation in the public policy process. They enable a culture of transparency, accountability and access to information as a means to fight and prevent corruption. Greater participation, transparency and accountability can open spaces and lower costs for more individuals to participate in the policy-making process. This, in turn, can limit policy capture. The OECD Recommendation of the Council on Open Government puts forward specific policy recommendations in this direction.

- **Regulatory frameworks should promote fair competition and limit harmful practices** that diminish the quality of goods provided to citizens. In particular, public procurement is crucial for delivering citizen services, but it can be captured by private interests. This, in turn, prevents the state from serving the public. The creation of central purchasing bodies (CPBs) as centres of procurement expertise and the development of e-procurement solutions are transforming traditional measures in LAC to combat price rigging. These measures have considerably improved in the past years, such as *Colombia Compra or Chile Compra*, though challenges remain to increase their effectiveness.

### Towards a better administration

- **Undertake a comprehensive review of the merit-based civil service recruitment system.** This will yield a double dividend by improving levels of government productivity and increasing the public administration's impartiality. Open, transparent and accountable public institutions that deliver better services are in high demand. Integrity systems as a long-term institutional policy are crucial across all levels of government. Most LAC countries have already set anti-corruption policies as a priority. Yet enforcing policies and promoting a culture of integrity within public institutions remain great challenges.

- **Target skills and training programmes at public servants**. Such programmes would enrich the public sector by making the work environment more competitive and valuable for workers. Investment in skills programmes, especially those pertaining to ICTs, are needed throughout public institutions. These should be geared to improve quality of service delivery and improve productivity of public servants. The need for incorporating innovation practices from inside public institutions also demands development of social and analytical strengths. These should be promoted with specific human resources strategies.

- **Bolster leadership of the Centre of Government (CoG)**. The CoG is critical for horizontal and vertical co-ordination that improves decision-making processes. It also ensures policy coherence throughout different government institutions and levels. Openness and accountability ensure that the needs, preferences and concerns of stakeholders, including underserved populations, are reflected in decision making.

- **Promote regional convergence.** Disparities in administrative capacity between central/federal and regional governments thwart the effectiveness of decentralisation. Given that many regions lag behind, LAC countries need to strengthen administrative capacities through a more qualified bureaucracy and greater fiscal and political powers for sub-national governments. Fostering multi-level governance in the context of decentralisation processes can improve the delivery of services and local decision making. Promoting place-based policies is essential for more accurate development plans and achieving the greatest potential of regions.

- **Promote strategic long-term planning, implementation and performance monitoring.** These tactics are needed to measure spending decisions against the achievement of strategic policy outcomes. More robust information systems could play a significant role in building better decision-making processes by providing useful statistical data at a more micro-level. This is crucial for making evaluation a systematic step in policy making.

**Towards a new connection with citizens**

- **Integrate digital tools into the public sector.** Digital tools are a core component of modern government and a strategic asset for policy making and improved service delivery. Such tools can also build administrative capacities and improve citizens' perception of the public service. Yet LAC countries struggle to manage and monitor digital strategies. In its quest to adopt digital tools government should continue to redesign good processes and promote inter-governmental co-ordination.

- **Promote public innovation labs as a cost-effective way to manage government risk-taking.** Innovation labs have the ability to assemble multidisciplinary teams and reach out to users and other stakeholders. This provides valuable inputs into designing cost-effective, risk-taking small pilots. Such projects respond to citizens' demands in an efficient, transparent and flexible way. They also encourage the public sector to switch towards designing policies in a more user-centric way.

- **Establish multi-level governance to promote co-operation.** Implementing reforms to build institutions that deliver is not easy. Popular discontent and distrust in government tend to aggravate political polarisation, making it more difficult to enforce meaningful reforms. In this context, effective multi-level governance is vital. Lack of co-operation and co-ordination among actors at different stages of the reform process can distort the quality of policies.

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