

The framework for service provision

chapter 3

The public sector has generally taken on responsibility for the delivery of services and frequently used civil service bureaucracies as the instrument. This approach has had dramatic successes and—as chapter 1 documented—far too many failures. Much remains to be done. Particularly for poor people, there are widespread challenges in providing affordable access, fixing dysfunctional facilities, improving technical quality, increasing client responsiveness, and raising productivity. As chapter 2 noted, neither economic growth, nor simply increasing public spending, nor coming up with technocratic solutions is enough to meet this challenge.

The failures in service provision have not gone unnoticed. Indeed, there is a cacophony of proposed institutional solutions: civil service reform, privatization, democratization, decentralization, contracting out, provision through NGOs, empowerment, participatory methods, social funds, community-driven development, user associations. With each of these solutions comes a bewildering variety of techniques and instruments: demand-side transfers, participatory rural appraisals, facility surveys, service score cards, participatory budgets. None is a panacea.

“One size does not fit all” is a truism but not very helpful. Everyone wanting to improve services for poor people—from the poor themselves to reform-minded professionals, advocates, political leaders, and external agencies—asks: What size fits *me*? Given the capabilities, resources, politics, and incentives that I face, what can be done? What are the actions that would improve services for poor people in my circumstances? To evaluate alternative

arrangements for the provision of services requires an encompassing framework—to analyze which of the many items on the menu of service reform is right for the time, place, and circumstance.

This Report’s framework starts from the specific and works to the general. Start with a child in a classroom, a pregnant woman at a clinic, someone turning a tap for water. Each is seeking a service, and the proximate determinants of success are clear. For any individual service transaction to be successful, there needs to be a frontline provider who is capable, who has access to adequate resources and inputs, and who is motivated to pursue an achievable goal. The general question: what institutional conditions support the emergence of capable, motivated frontline providers with clear objectives and adequate resources? The answer: successful services for poor people emerge from institutional relationships in which the actors are accountable to each other. (Please be patient, the rest of the Report works out exactly what that sentence means.)

This chapter does five things. It introduces the analytical framework of actors (individuals, organizations, governments, businesses) and relationships of accountability that will be used throughout the Report. It describes the characteristics of services that make creating those relationships so crucial—and so difficult. It uses the framework and the characteristics of the services to analyze why pure public sector production often fails—and why pure privatization is not the answer. It lays out how the various items on the agenda for service reform are related and how the Report will address them. And it addresses the dynamics of reform.

An analytical framework: actors and accountabilities

Language evolves through common usage, so no one is accountable when the word *accountability* acquires so many different uses and meanings. What this Report means by *accountability* is a relationship among actors that has five features: *delegation*, *finance*, *performance*, *information about performance*, and *enforceability* (figure 3.1).

Relationships of accountability can be as simple as buying a sandwich or taking a job—and as complex as running a municipal democracy.

- In buying a sandwich you ask for it (*delegation*) and pay for it (*finance*). The sandwich is made for you (*performance*). You eat the sandwich (which generates relevant *information* about its quality). And you then choose to buy or not buy a sandwich another day (*enforceability*), affecting the profits of the seller.
- In a typical employment relationship a person is given a set of tasks (*delegation*) and paid a wage (*finance*). The employee works (*performance*). The contribution of the employee is assessed (*information*). And based on that information, the employer acts to reinforce good or discourage bad performance (*enforceability*).
- In a city the citizens choose an executive to manage the tasks of the municipality (*delegation*), including tax and budget decisions (*finance*). The executive acts, often in ways that involve the executive in relationships of accountability with others (*performance*). Voters then assess the executive's performance based on their experience and *information*. And they act to control the executive—either politically or legally (*enforceability*).

There are many other vocabularies for referring to these pervasive and critical issues from a variety of disciplines (economics, political science, sociology) and practices (public administration, management). This Report makes no claims of coming up with a superior set of words. The terms here have the virtues of completeness (a name for everything the Report dis-

cusses) and consistency (the same names are used throughout). See box 3.1 for a glossary of terms used in this Report. For instance, recent work on the empowerment of poor people, extending the work of the *2000/2001 World Development Report* on poverty, suggests four elements that overlap in important ways with the analysis here: access to information, inclusion and participation, accountability, and local organizational capacity.¹⁶² Others use the term *accountability* to refer only to the dimension of “answerability” (getting information about performance) or to “enforceability.” This Report uses the term broadly.

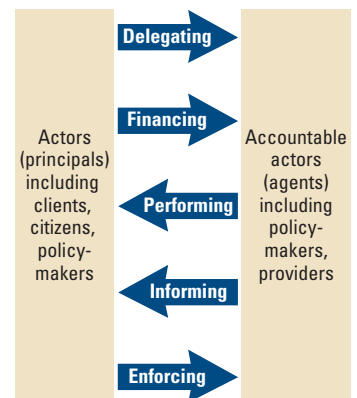
There are two motivations for this broader approach. First, weaknesses in any aspect of accountability can cause failure. One cannot strengthen enforceability—holding providers responsible for outputs and outcomes—in isolation. If providers do not receive clear delegation, precisely specifying the desired objectives, increasing enforceability is unfair and ineffective. If providers are not given adequate resources, holding them accountable for poor outcomes is again unfair and ineffective. Second, putting finance as the first step in creating a relationship of accountability stresses that simply caring about an outcome controlled by another does not create a relationship of accountability. To be a “stakeholder” you need to put up a stake.

In the chain of service delivery the Report distinguishes four broad roles:

- *Citizens/clients*. Patients, students, parents, voters.
- *Politicians/policymakers*. Prime ministers, presidents, parliamentarians, mayors, ministers of finance, health, education.
- *Organizational providers*. Health departments, education departments, water and sanitation departments.
- *Frontline professionals*. Doctors, nurses, teachers, engineers.

In the ideal situation these actors are linked in relationships of power and accountability. Citizens exercise *voice* over politicians. Policymakers have *compacts*

Figure 3.1 The relationships of accountability have five features



BOX 3.1 *A glossary for this Report*

Language is elastic—an asset reflecting the diversity of human experience, but a liability when such overused terms as *accountability* lose their meaning. This Report, in developing its service delivery framework, gives some commonly used terms (such as *accountability*) specific meaning and we coin a few new terms. We do not claim we have superior or better meanings, but we do try for internal consistency.

Accountability is a set of relationships among service delivery actors with five features:

- **Delegating:** Explicit or implicit understanding that a service (or goods embodying the service) will be supplied.
- **Financing.** Providing the resources to enable the service to be provided or paying for it.
- **Performing.** Supplying the actual service.
- **Having information about performance.** Obtaining relevant information and evaluating performance against expectations and formal or informal norms.
- **Enforcing.** Being able to impose sanctions for inappropriate performance or provide rewards when performance is appropriate.

This Report defines four relationships of accountability: *client power (over providers)*, *compacts*, *management (by provider organizations of frontline professionals)*, and *voice and politics (between citizens and politicians/policymakers)*.

Actors: Individuals, households, communities, firms, governments, and other public, non-governmental, and private organizations that finance, produce, regulate, deliver, or consume services. In economic theory the actors who hold others accountable are sometimes called *principals*, and the actors who are held accountable are called *agents*.

Client power: The relationship of accountability connecting clients to the frontline service providers, usually at the point of service delivery, based on transactions through which clients express their demand for services and can monitor supply and providers.

Clients/citizens: Service users who as citizens participate individually or in groups (e.g., labor unions) in political processes to shape and attain collective goals. As clients, individuals receive services to satisfy their household demand. All clients are citizens (in most settings) but, depending on the service, not all citizens are clients.

Clientelism: The tendency of politicians as patrons to respond to political competition by excessively favoring one group of clients over another in return for political advantage (vote banks). Providing narrow supporter groups with free public services or public employment, particularly where shirking is not sanctioned, is often the way politicians practice clientelism.

Compacts: The broad, long-term relationship of accountability connecting policymakers to organizational providers. This is usually not as specific or legally enforceable as a contract. But an explicit, verifiable contract can be one form of a compact.

Discretionary services: Locally produced services, such as classroom instruction or curative care, where the teacher or doctor must exercise significant judgment on what to deliver and how, and where clients typically have a large information deficit relative to the provider. Discretionary services that are *transaction-intensive* are hard to monitor, both for the client and for the policymaker, whether publicly or privately provided. They pose particular challenges for all the relationships of *accountability*.

Frontline professionals: The teachers, nurses, doctors, engineers, clerks, or other providers who come in direct contact with the client.

Long and short routes of accountability: Clients may seek to hold service providers accountable for performance in two ways. Client power connecting clients and providers is the direct, “short” route of accountability. When such client power is weak or not possible to use, clients must use voice and politics in their role as citizens to hold politicians accountable—and politician/policymakers must in turn use the compact to do the same with providers. The combination of the two is the roundabout, “long” route of accountability.

Management: The relationship of accountability connecting organizational providers and frontline professionals, comprising internal processes for public and private organizations to select, train, motivate, administer, and evaluate frontline professionals. These processes may be rule-bound in large bureaucracies, or idiosyncratic and ad hoc in small, private providers.

Organizational providers: Public, private nonprofit, and private for-profit entities that actually provide services. These may range from government line ministries with hundreds of thousands of employees to a private hospital chain or from a vast urban water utility to a single, community-run, village school.

Politicians/policymakers: The service delivery actors authorized by the state to discharge its legislative, regulatory, and rule-making responsibilities. Politicians may be elected or achieve their positions through nondemocratic means. They can also be policymakers (the general who is president but also runs the military, the telecom minister who administers the sale of frequencies). But more commonly policymakers are the highest nonelected officials—either from a civil service or appointed. Politicians set general directions. Policymakers implement these directions and set and enforce the condi-

tions for public and private service providers to operate. Usually accountability subrelationships between politicians and policymakers (parodied in the TV serial “Yes Minister”) are derived from the constitution, administrative law, or rules of public administration.

Service delivery framework (or chain): The four service-related actors—*citizens/clients*, *politicians/policymakers*, *organizational providers*, *frontline professionals*—and the four relationships of *accountability* that connect them:

- **Voice and politics:** connecting citizens and politicians.
- **Compacts:** connecting politicians/policymakers and providers.
- **Management:** connecting provider organizations with frontline professionals.
- **Client power:** connecting clients with providers.
- **Short route of accountability:** See *long and short routes of accountability*.

Strategic incrementalism: Pragmatic incremental reforms in weak institutional environments that are not likely to fully address service delivery problems but can alleviate acute service problems while at the same time creating the conditions for deeper and more favorable change—say, building capacity that can respond to service delivery challenges. This can be contrasted with, for lack of a better term, “incremental incrementalism” that merely solves one set of immediate problems but creates others. For example, working around existing government and governance structures with no strategy for how these temporary measures will affect the long term.

Transaction-intensive services: Services that require repeated, frequent client-provider contact. Transaction-intensive services may be discretionary and require constant, minute decisions (classroom teaching), making them very hard to monitor. Or the technology may not require much discretion (fire and forget) once there is client contact (immunization).

Voice and politics: The most complex relationship of accountability. It connects citizens and politicians and comprises many formal and informal processes, including voting and electoral politics, lobbying and propaganda, patronage and clientelism, media activities, access to information, and so on. Citizens delegate to politicians the functions of serving their interests and financing governments through their taxes. Politicians perform by providing services, such as law and order or communities relatively free of pathogens. Citizens enforce accountability through elections and other less definitive means, such as advocacy, legal actions, and naming and shaming campaigns.

with organizational providers. Organizations *manage* frontline providers. And clients exercise *client power* through interactions with frontline providers (figure 3.2). In low-income countries a fifth role, played by external finance agencies, affects each of these relationships (chapter 11).

Weaknesses in *any* of the relationships—or in the capacity of the actors—can result in service failures. Providers can be made directly accountable to clients (as in market transactions) by passing decisions and powers directly to citizens or communities—a “short route” of accountability. But, more typically, the public sector is involved, so two key relationships—*voice* and *compact*—make up the main control mechanism of the citizen in a “long route” of accountability. In either case, organizations (such as health, education, and water departments) need to be able to manage frontline providers.

The four actors

Citizens and clients. Individuals and households have dual roles, as citizens and as direct clients. As citizens they participate both as individuals and through coalitions (communities, political parties, labor unions, business associations) in political processes that define collective objectives; they also strive to control and direct public action in accomplishing those objectives. As direct clients of service providers, individuals and households hope to get clean water, have their children educated, and protect the health of their family.

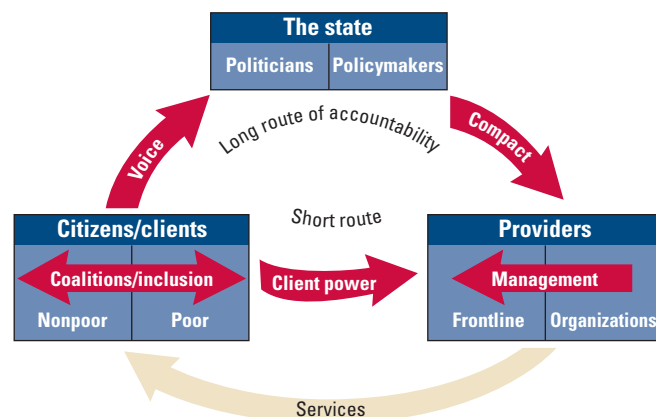
The role of citizens and clients as service beneficiaries does not imply that all citizens are alike or have the same views. Terms such as *civil society* and *community* are sometimes used too casually. People differ in beliefs, hopes, values, identities, and capabilities. Civil society is often not civil at all; many “communities” have little in common. Individuals and households may disagree about collective objectives and work to promote their own views, both individually and through associations, sometimes at the direct expense of others. The capability for collective action of citizens, a key element of service delivery, varies widely across societies.

Politicians and policymakers. What distinguishes the sovereign state from all other institutions is its monopoly on the legitimate use of physical force within its boundaries. From this monopoly, politicians derive the power to regulate, to legislate, to tax—to set and enforce the “rules of the game.” Politicians are defined here as those who control this power and discharge the fundamental responsibilities of the state. This does not mean that electoral politics are always in play: some politicians are heads of one-party states, some have imposed their control through military force, some arrive by election. In some systems executive politicians are dominant—in others, legislative politicians.

The other actors who exercise the power of the state are policymakers. In some countries politicians are also policymakers. But in others there is a clear distinction between the highest nonelected officials of government—civil servants or appointees—and political actors. Politicians set general directions, but policymakers set the fundamental rules of the game for service providers to operate—by regulating entry, enforcing standards, and determining the conditions under which providers receive public funds.

Organizational providers. A provider organization can be a public line organization, whatever the name—ministry, department, agency, bureau (table 3.1). It can be a ministry of education that provides education services, an autonomous public enterprise (autonomous public hospitals), a

Figure 3.2 Key relationships of power



nonprofit (religious schools), or a for-profit (private hospital). It can be large (public sector ministries with tens of thousands of teachers) or small (a single community-run primary school). There can be several types of providers (public, nonprofit, and for-profit hospitals) and several providers of each type delivering the same service in the same area (many independently operated nonprofit and for-profit private hospitals).

When the organizational provider is in the public sector, one needs to be clear about the analytical distinction between the policymaker and the head of the provider organization. The policymaker sets and enforces the rules of the game for all providers—including the organizational provider. The head of the provider organization makes internal “policies” specific to the organization. Clear conceptually, the distinction is not always clear in practice, especially when the same individual plays both roles. For example, a minister of public works may be the policymaker responsible for making and enforcing the rules for all providers—but also the head of the largest organizational provider of water services, directly responsible for management. Unbundling these roles to create a clear delineation of policymaking and direct production responsibilities is one element in having clear lines of accountability.

Frontline providers. In the end, nearly all services require a provider who comes in direct contact with clients—teachers, doctors, nurses, midwives, pharmacists, engineers, and so on.

The four relationships of accountability

Of politicians to citizens: voice and politics. This Report uses the term *voice* to express the complex relationships of accountability between citizens and politicians. Voice is about politics, but it covers much more. The voice relationship includes formal political mechanisms (political parties and elections) and informal ones (advocacy groups and public information campaigns). Delegation and finance between citizen and state are the decisions about pursuing collective objectives and mobilizing of public resources to meet those objectives. Citizens need information about how actions of the state have promoted their well-being. They also need some mechanism for enforceability, to make sure that politicians and policymakers are rewarded for good actions and penalized for bad ones. If politicians have abused their position, or even just not pursued objectives aggressively and effectively, citizens need a variety of mechanisms—not just periodic elections—to make politicians and policymakers accountable.

Table 3.1 Organizational providers take a variety of ownership and organizational structures

Ownership	Type of provider organization	Education services	Health services (ambulatory curative care)	Water services	Energy
Public sector	Ministry/department/agency/bureau	Ministry of education schools (national, state/province, municipal)	Ministry of health outpatient clinics	Ministry of public works	Ministry of energy
	Public sector autonomous corporation	Autonomous universities	Autonomous hospitals	State water corporations	State electricity companies
Not-for-profit sector	Community owned	Informal schools, Educo		Rural water associations	
	Not-for-profit organization	Religious schools (Catholic, Islamic), NGO-run schools (such as BRAC)	NGO-run clinics		
Private, for-profit sector	Small for-profit firms	Private, nonreligious schools	Private clinics	Informal water vendors	
	Large		Hospital chains	Private utilities	Private utilities

Note: Educo = El Salvador's Community-Managed Schools Program; NGO = Nongovernmental organization; BRAC = Bangladesh Rural Advancement Committee.

Of the organizational provider to the state: compacts. The relationships between policymakers and service providers can be thought of as *compacts*. The compact is not always as specific and legally enforceable as a contract, though a contract can be one form of a compact. Instead, it is a broad agreement about a long-term relationship. The policymaker provides resources and delegates powers and responsibility for collective objectives to the service providers. The policymaker generates information about the performance of organizations. Enforceability comes into play when the compact also specifies the rewards (and possibly the penalties) that depend on the service provider's actions and outputs. The line between "the state" and "public sector organizational provider" is not always easy to draw.

Of the frontline professionals to the organizational provider: management. In every organization, formal and informal tools of management provide frontline workers with assignments and delineated areas of responsibility, equipping them with the resources to act. In public agencies this management function is at times blurred because providers are employees of "the government." But all the standard *management* issues of selecting, training, and motivating workers in an organization apply to all organizations—private, NGO, government, whatever. All service provision organizations—whether a government ministry, a religious body, a nonprofit NGO, or a for-profit firm—have to create a relationship of accountability with their frontline providers.

Of the provider to the citizen-client: client power. Because the policymaker cannot specify all actions of providers in the compact, citizens must reveal to providers their demand for services and monitor the providers' provision of services. Clients and organizational providers interact through the individuals who provide services—teachers, doctors, engineers, repairmen—the frontline professionals and frontline workers.

BOX 3.2 *The many meanings of accountability*

Accountability is more a rubric than a single item, but it is a fruitful rubric for making useful distinctions.

Political accountability is the willingness of politicians and policymakers to justify their actions and to accept electoral, legal, or administrative penalties if their justification is found lacking. Even within "political" accountability one can have distinctions. With vertical political accountability, citizens individually or collectively hold the state to account—say, through voting or advocacy. Democracies must have some vertical accountability. With horizontal political accountability, agents of the state formally hold another agent of the state accountable—say, through the "compact" relationship between policymakers and providers.

Authoritarian states may manifest considerable horizontal accountability ("the

trains run on time"), but not offer any vertical accountability. But where the relationship between clients and providers is very strong (in some instances perhaps because of the omnipresence of the ruling party, as in Cuba), service delivery may work very well without much vertical accountability.

Even for a given type of accountability there are distinctions. Formal horizontal political accountability is the formal description of institutions, and authority among agents of the state. It may differ sharply from informal horizontal political accountability, from the actual working of institutions and effective control over decisions in state organizations.

Sources: Goetz and Jenkins (2002) and Aghion and Tirole (1997).

Accountability is not the only relationship

The foregoing description is not reality, because it portrays only one direction in the relationships between actors. The reality is that actors are embedded in a complex set of relationships, and accountability is not always the most important. Through various forms of coercion, both subtle and blatant, many states' ability to impose *obligations* on citizens has proved much stronger than the ability of citizens to discipline politicians and policymakers (box 3.2). And in many cases citizens approach the state and its agents as supplicants.

Politicians often use the control over publicly provided services as a mechanism of *clientelism*—for both citizens and providers. In systems that lack accountability relationships, public service jobs (teachers, policemen) are given as political favors, which creates a relationship not of accountability but of political obligation. A recent report on education in Nepal, for instance, finds that "teachers' performance standards are nonexistent. Most teachers are aligned with one of the many associations formed on political party lines and appointment and deployment practices are often determined as a result of individual's contributions to political activities."¹⁶³

Services are allocated in ways that reward (or punish) communities for their political support. Sometimes the ministry is the agent of the providers, not the other way around, and providers *capture* the policymaking. Providers also use their ability to control services and their superior social status to intimidate poor people. Rather than client power, there is provider power. The political scientist James Scott has argued that the pressures of “authoritarian high modernism” can mean that the state and its bureaucratic apparatus define a “thin simplification” in order to carry out services—but that the domination of this reality over citizens and their complex reality can lead to unintended consequences.

Why establishing relationships of accountability is so complex

This Report moves beyond what the public sector should do and emphasizes how public action can be made most effective. Frontline workers have to have clear objectives, adequate resources, technical capabilities, and the motivation to create valued services. This cannot be mandated. It is the result of interactions between strong actors in each of the key service provision roles. The ideal: a state that is strong, not weak. Provider organizations that have a clear vision and mission of service provision, not ones that are internally incoherent and merely process oriented. Frontline providers acting with professional autonomy and initiative, not tightly controlled automatons. And empowered citizens who demand services, not passive “recipients” who are acted on.

Strong, capable actors need to be embedded in strong relationships of accountability. But it is difficult to establish such relationships for these services. Why?

- Because there are both collective objectives and private objectives, a system that created only client power through choice (say) would meet only individual objectives, not the many public ones.
- Because of the multiple, complex objectives of public production and co-production, it is difficult to create outcome-based enforceability for providers.

Individual interests and collective objectives

A competitive market automatically creates accountability of sellers to buyers. The key information is customer satisfaction, and the key enforceability is the customer’s choice of supplier. Competitive markets have proved a remarkably robust institutional arrangement for meeting individual interests. But they are not enough for services—for three reasons.

- First, the market responds only to those with purchasing power, doing nothing to ensure universal access or an equitable distribution, which societies often have as a collective objective.
- Second, the sum of the individual interests may not produce the best outcome because markets may have failures of various kinds.
- Third, other collective objectives require public action. For instance, the state and society have a strong concern about the role of schooling in the socialization of youth and may not want parents to choose for themselves.

The problem of monitoring

Locally produced services—basic education, health care, urban water supply and sanitation—have three characteristics that make it particularly difficult to structure relationships of accountability. They are discretionary and transaction-intensive. There are multiple tasks and multiple principals. And it is difficult to attribute outcomes.

Discretionary and transaction-intensive.

Services are transaction-intensive, and the transactions require discretion. Teachers must continuously decide about the pace and structure of classroom activity. Have the ideas been grasped? Will another example reinforce the idea or bore the class? A doctor has to make decisions about diagnosis and treatment based on the specific case of the patient. The examples differ from other public sector activities that are discretionary but not transaction-intensive, such as setting monetary policy or regulating a monopoly—or those that are transaction-

intensive but not discretionary, such as taking in bank deposits or controlling traffic.

Services may be transaction-intensive and discretionary, but some stages in service provision may be less transaction-intensive or discretionary (table 3.2). Even in the health sector, services span the range. For immunization, the appropriate action is nearly the same for each individual of a given age (easily observed). The problems in implementation, while formidable, are primarily logistical. But for curative services, providers have to respond to complaints from individuals and exercise discretion in choosing treatment.

Services that are both discretionary and transaction-intensive present challenges for any relationship of accountability—because it is difficult to know whether the provider has performed well. Administrative and bureaucratic controls that work well for logistical tasks are overwhelmed when they attempt to monitor the millions of daily interactions of teachers with students, policemen with citizens, case workers with clients, medical practitioners with patients. Rigid, scripted rules would not give enough latitude.

Multiple principals, multiple tasks. Public servants serve many masters. Power and water providers are under pressure from different segments of the market to cross-subsidize them—from producers to buy specific types of equipment, from people who want more extensive connections, and from others who want more reliable, continuous operation. The day-to-day pressure of local demand for health care can compromise efforts in disease prevention and other public health activities that are not demand-driven.¹⁶⁴

Personnel in health clinics are supposed to provide immunizations, curative care to people who come to them, health education and other preventive measures to everyone (whether they come in on their own or not), keep statistics, attend training sessions and meetings, and do inspections of water and food. Police officers have to deal with everyone from lost children to dangerous criminals. This diffusion blunts the precision of incentives (box 3.3).

Attributability

The third problem in monitoring service provision is that it is often very difficult to attribute outcomes to the actions of the service providers because there are important “co-producers.” As chapter 1 emphasized, health and education *outcomes* are mainly produced in households and communities. The health of individuals depends on their decisions about nutrition (constrained by income), activity levels, personal hygiene practices (often constrained by the availability of water)—and on community factors that determine exposure to pathogens. Even if people seek treatment when they are sick, the effectiveness of treatment depends in part on provider quality and individual compliance with the recommended therapies.

The difficulty in monitoring discretionary, transaction-intensive services is not unique to the public sector—it is inherent in services. Patients generally know how they feel. Studies of private practitioners in India commonly find practices that lead to short-run improvement in symptoms (such as steroid shots) but are not medically effective—or are even counterindicated.¹⁶⁵ Patients feel better, and this attracts repeat customers. But it does not create real accountability, because simply being pleased with the service is not sufficient information.

Table 3.2 Examples of discretionary and transaction-intensive services

Sector	Discretionary, not transaction-intensive	Discretionary and transaction-intensive	Transaction-intensive, not discretionary
Commercial banking	Setting deposit rates	Approving loans to small businesses	Taking in deposits
Social protection	Setting eligibility criteria	“Case worker” determinations	Issuing checks to the eligible
Policing	Lawmaking defining criminal behavior	Handling individual conflict situations	Directing traffic
Education	Curriculum	Classroom teaching	Providing school lunches
Health	Public information campaigns	Curative care	Vaccinations
Irrigation	Location of main canals	Allocation of water flows	Providing standpipes “in every village”
Central banks	Monetary policy	Banking regulation	Clearing house
Agricultural extension	Research priorities	Communication with farmers	

BOX 3.3 *Creating conditions of accountability: the police*

Police are delegated substantial powers—to compel and, if necessary, to use violence. What objectives should they pursue, and how could they be held accountable?

- “Client satisfaction” is not what should drive police, for who is the “client”? Certainly not the criminals, and certainly not just the victims: there are many objectives—creating a safe environment, apprehending criminals, respecting individual rights and dignity.
- Police cannot simply follow a script—they have to exercise discretion. If they went “by the book” and enforced every infraction, more important activities would grind to a halt.
- They rely on many co-producers. Without the cooperation of citizens in abiding by the law, reporting violations, helping in investigations, the job of the police would be impossible. And many determinants of crime are not under the control of the police, such as economic trends, social changes, and demographic shifts.

The recipe for inefficiency, abuse, and corruption: simply turn individuals loose with

vague objectives, lots of discretion, little performance information, few mechanisms of enforceability (either internal or external), and the public authority to compel (and often too little budget). A frequent complaint of poor people is the abuse they suffer from the police. As one Kenyan put it recently “You cannot carry much money with you these days. There are too many policemen.”

There are no easy answers. “Privatizing” policing functions would face the same problems: what would be the measure of output to determine what the firm should be paid? Crime rates? They are not under police control (and they would deter reporting). Arrests? That would encourage false arrests to meet production quotas. Surveys of citizen perceptions of safety? These risk overzealous police violating the rights of the socially disadvantaged to please the minority. Penalties for abuse of authority? Police might then do too little.

Recent experience in several cities, notably New York, shows that better measurement of several important outputs is possible. Crime rates were measured by neighborhood, reported regularly as a management tool, used

to allocate police time and visibility. Crime rates fell significantly. This approach can backfire, though, if the desired outcomes are not well specified. Studies of police behavior in London and Los Angeles showed that the monitored and numerically measured activities (crime rates and citizen complaints) improved markedly. But other measures—community activities and crime rates, particularly for homicide—got worse.

So there is no general “optimal” solution. But there are solutions to particular cases, better or worse in their adaptation to local circumstance. Creating more functional police services requires creating multiple institutional channels of accountability—political (police are not simply an instrument of oppression), compacts (policymakers can hold police in check), management (organizational strategies can inculcate dedication, loyalty, restraint), and client power (citizens have mechanisms to influence police behavior directly, a free press).

Sources: Moore and others (2002); *The Economist* (2002); Burgess, Propper, and Wilson (2002); Prendergast (2001).

Many outcomes, even when observable to the patient and the doctor, are not “contractable” in the sense of being able to prove compliance to a judge or other mediator if a dispute arises.

Successes and failures of the public sector and the market

Discussions of public action often juxtapose two polar extremes for the institutional arrangements for services: traditional public production, in which all public action and resources are channeled through a public sector organization with civil servants; and market production, in which the public sector takes a minimal role (but at least establishes the basic conditions for a market, such as enforcing contracts).

This Report seeks to help the public sector meet its responsibility for health and education outcomes. The public sector can discharge its responsibility by engaging in a variety of institutional arrangements for service provision, including direct production, contracting out, demand-side transfers, and so on. Before getting to them, it helps to illustrate the weaknesses of the two

polar positions, using the five failures of services detailed in chapter 1—inaccessibility, dysfunctionality, low technical quality, lack of client responsiveness, and stagnant productivity.

Public production

Two of the most powerful innovations of the long 20th century (1870–1989) are the mutually reinforcing ideas of the nation-state, with extensive powers and responsibilities, and the civil service bureaucracy. Together they produced the consensus that governments have responsibilities for the welfare of their citizens, and that the most effective way to fulfill these responsibilities is through the direct production of services through a public sector organization with civil service employees. The contested ideologies of the 20th century—communism, capitalism, democracy—pale before the power of the twin ideas of a nation-state and a public sector bureaucracy. These ideologies were merely notions of the uses for the nation-state and its bureaucracy.

As just one example, schooling in the middle of the 19th century was almost

exclusively in private hands (largely religious). Today the direct production of schooling by the public sector—with the nation-state the dominant service provider, involved in every facet of schooling from building schools, to determining the curriculum and texts, to training, hiring, assigning, and controlling teachers as civil servants—has completely triumphed as an idea, so completely that people forget it was ever contested (box 3.4).

Public bureaucracies are truly a blessing of modern life. All countries with high living standards have teachers who teach, police officers who police, judges who judge, public works that work, armies that respond to external threats. Yes, bureaucracies might be frustrating, slow, inefficient, and resistant to innovation. But the fantasy of “getting rid of the bureaucracy” would turn into a nightmare. No country has developed without state reliance on an effective public bureaucracy to discharge the key functions of the state—though not always through direct production. So why do some bureaucracies perform badly and others well? And how do countries get from badly to well?

The analytical framework of the relationships of accountability provides a way of diagnosing not just the symptoms of poor performance (inefficiency, corruption, poor performance) and not just the proximate determinants of these symptoms (lack of resources, low motivation, poor training, and little capability). It also provides a way of analyzing the deep institutional causes of poor performance.

In public sector production the direct link of client power is frequently missing, so successful public production relies on “long-route” accountability. What does that take? The policymaker must care about outcomes, including those for poor people. That concern needs to be transmitted effectively to the public agencies that receive public resources to provide the services. And the public agencies must hire technically qualified providers motivated to provide the services. When all this happens, as it often does in developed countries, public service production is reliable and effective. Indeed, some of the most admired and

effective organizations in the world are public agencies.

When the long route is not working, the framework provides a way to understand the failures by identifying which relationship of accountability was the weak link—and within the relationship of accountability, which was the missing dimension.

- There are *voice* failures, when the state (controlled by politicians and policy-makers) simply does not care about providing services—or does so in a strictly venal or clientelist manner. The clearest sign of this: when too little budget is devoted to services for poor people, and when that budget is allocated to meet political interests.

BOX 3.4 *The “Progressive Era”: creation of modern bureaucracy*

Samuel Hays, in his study of the evolution of conservation policy in the United States in the early 20th century, expresses eloquently the political and social tensions in the shift to modern bureaucracies:

“The dynamics of conservation, with its tension between the centralizing tendencies of system and expertise on the one hand and decentralization and localism on the other, is typical of a whole series of similar tensions between centralization and decentralization within modern . . . society. The poles of the continuum along which these forces were arrayed can be described briefly. On the one hand many facets of human life were bound up with relatively small scale activities focusing on the daily routines of job, home, religion, school and recreation in which a pattern of inter-personal relationships developed within relatively small geographical areas. . . . On the other hand, however, modern forms of social organization gave rise to larger patterns of human interaction, to ties of occupation and profession over wide areas, to corporate systems which extended into a far flung network, to impersonal—statistical—forms of understanding, to reliance on expertise and to centralized manipulation and control. . . . To many people the external characteristics of this process—efficiency, expertise, order—constituted the spirit of “progressivism.” These new forms of organization tended to shift the location of decision-making away from the grass-roots, the smaller contexts of life, to the larger

networks of human interaction. This upward shift can be seen in many specific types. . . : the growth of city-wide systems of executive action and representation in both school and general government to supersede the previous focus on ward representation and action; the similar upward shift in the management of schools and roads from the township to the county and state.

“Examination of the evolution of conservation political struggles, therefore, brings into sharp focus the two competing political systems. . . . On the one hand the spirit of science and technology, of rational system and organization, shifted the location of decision-making continually upward so as to narrow the range of influences impinging upon it and to guide that decision-making process with large, cosmopolitan considerations, technical expertness, and the objectives of those involved in the wider networks of modern society. On the other however, were a host of political impulses, often separate and conflicting, diffuse, and struggling against each other within the larger political order. Their political activities sustained a more open political system . . . in which complex and esoteric facts possessed by only a few were not permitted to dominate the process of decision-making, and the satisfaction of grassroots impulses remained a constantly viable element of the political order.”

Source: Hays (1959).

- There are *compact* failures, in which the state fails to communicate clear responsibilities for outputs or outcomes to the public organization and fails to enforce any responsibility. Compact failures are also associated with management failures, in which the public sector organization fails to motivate its frontline workers.

All this is embedded in a system in which the feedback loop from client satisfaction to both frontline and organizational providers is cut.

Voice. A common cause of the failure of public service production is the apathy of the state. Governments may care about some services for ideological reasons. But when voice is weak (or divided or conflicted) and the state is freed from the constraint of satisfying its citizens, there are many possibilities for failure. The state delivers little or nothing to its poor and socially disadvantaged citizens, reserving its few services for the elite, including favored members of the government. In these circumstances alternative strategies of public sector management will be powerless to create better services.

Many analysts and advocates point out that resources devoted to services are inadequate. But those budget allocations are the result of political decisions: about the level of taxation and mobilization of resources; about the allocations of budgets across activities; about the design of programs that

determine who benefits; about the allocation of expenditures across inputs (how much for wages and other things). If resources are inadequate, if they are ineffectively applied to service provision for poor people, it is often because poor people's voices are not being heard.

Nor is much information generated that would allow citizens to judge how effectively their government is providing services. Since information is power, it is often closely guarded—or never created in the first place. Politicians seldom create information about outputs and outcomes. Individuals know about the quality of the services they confront, but they have a difficult time translating that knowledge into public power. Indeed, politicians may use the selective provision of services as a clientelistic tool to “buy” political support—or, worse, to enforce state control of citizens while weakening their voice (box 3.5).

Compacts. The complex compact relationship fails in many ways. In failed or failing states (such as those the World Bank calls Low-Income Countries Under Stress, or LICUS) there is no compact because the state's control is very shallow. This happens when countries are embroiled in long civil wars (Afghanistan, El Salvador, Somalia, Sudan) or large parts of the country are beyond the reach of government (Democratic Republic of Congo).

Even in working states the compact relationship between the state and public provider agencies is often extremely weak. The delegation and specification of goals are often vague or nonexistent, and there rarely are clear responsibilities for outputs or links to outcomes. Budget allocations and staffing for agencies are determined without any direct relationship to past performance or clearly specified objectives. This means that providers are often underfunded relative to announced rhetorical, and unrealistic, targets.

Without clear delegation of responsibilities and identified objectives, there is no way of generating the relevant performance information for managing or assessing the organization. Without clear information on organizational objectives and progress, it becomes

BOX 3.5 *Seeking services in the Arab Republic of Egypt*

An anthropological study of urban Cairo detailing the “Avenues of Participation”—the ways residents coped with the demands of the state, and sought its favors—revealed a pattern common in many countries. First, there is a huge gap between the formal and informal realities. As a manager of a family-owned shoe factory explained:

We are caught in the middle of two totally separate systems that do not communicate with each other. One of them is the legal [formal] system. The other one is what we call the traditional system, which is much stronger than the law. That is what really controls us. (p. 205).

That gap means that, in approaching the state, individuals must rely on informal

connections, personal relationships, and outright bribes to officials. There also were explicit “patron-client” relationships:

In a particular relationship I was able to observe closely that the ties between “patron” and the supposed “client” were very close and reciprocal. The “client” received loans from the politician, gifts of food and clothing for her family, publicly subsidized apartments, employment for her and her family, assistance with bureaucratic problems, and a great deal of information.... At election time the client returned this service by organizing the election campaign and marshaling local political support in the district.

Source: Singerman (1995).

impossible to create enforceability. This also discourages innovation and responsiveness. There may be many isolated successes in service provision and striking examples of public servants succeeding even against the odds. But nothing in the system encourages the replication of successful innovations.

This is not to deny the enormous benefits that public provision has attained. But those benefits have often been in areas in which the compact relationship is relatively easy because the targets are numerical and provision is logistical. Strong states, even the politically repressive, have been successful in providing services. Socialist states, such as China, have had great success in the social sectors. But moving beyond the impressive logistical accomplishment and improving quality has proved much more difficult. Even weak states can launch and sustain vertical programs of logistical delivery—expanding childhood vaccinations in very troubled situations is a classic example. But going from services provided in “campaign” mode to more discretionary and quality-sensitive services has proved much more difficult.

Management. Failures of management are also common in public production of services. Frontline workers rarely receive (explicit or implicit) incentives for successful service delivery. There are no stipulations for service quality and quantity, no measurement of effectiveness or productivity, few rewards or penalties. The provider organization monitors only inputs and compliance with processes and procedures. Even so, some states have provided some services under these conditions, but the services remain limited, low in quality, high in cost.

The problems are deep. Quick fixes that seem too good to be true probably are. One response to the corruption, absenteeism, and underperformance of providers is stricter monitoring. But if the objectives are not well known and if it is difficult to monitor behavior, it is difficult to assess performance on the basis of real, relevant output measures. So “accountability” is instead created by strict rules, intended to prevent abuse, and attempts to monitor compliance with some crudely measured proxies (attendance) or to reduce the activity to scripts that must be fol-

lowed strictly. That approach can succeed for truly logistical tasks, but it can also be counterproductive. By constraining the professional autonomy of frontline providers, it may frustrate self-motivated frontline workers, driving them away and undermining the development of strong providers.

The goal is to have providers with *more* capability, *more* autonomy, and *more* discretion in providing quality services. But more autonomy requires more performance-based accountability. That is intrinsically difficult to create because of the multiple (often unobservable) objectives of public action, the demands of monitoring discretionary and transaction-intensive services, and the difficulty of attributing outputs or outcomes to actions by providers.

Take schooling (chapter 7): good teaching is a complex endeavor. The quality of a teacher cannot be assessed strictly on the basis of student scores on a standardized examination. Why not? Schooling has many other objectives. It is difficult to isolate the value added. And simply paying and promoting all teachers the same does not motivate good teaching—it can even lower morale among motivated teachers.

Perhaps good teaching can be assessed subjectively by another trained educator—a head teacher or school principal. But this creates the temptation to play favorites or, worse, to extract payments from teachers for good assessments. So the autonomy of school heads must be limited by accountability, to motivate them to reward good teachers. There must be an assessment standard for school heads. But all the problems of assessing good teaching also apply to good school heads. Indeed, that is how dysfunctional bureaucracies cascade into a morass of corruption, as upward payments from those at lower levels buy good assignments or ratings from superiors.

The market

The “market,” as an idealized set of relationships of accountability, relies more or less exclusively on client power—and only on that part of client power that is based on choice, backed by purchasing power. *Customer* power is the main relationship of accountability. The market has several strengths in the provision of services—but

also many weaknesses. One strength is that customers will buy where they perceive the greatest satisfaction—so organizations have incentives to be responsive to clients. Another strength is that since the organizations are autonomous, they can manage their frontline providers as they wish. Yet another is that with a variety of organizations providing services, each can be flexible with innovation and each has the incentive to adopt successful innovations (or else lose resources). Markets produce innovations and scale them up by trial and error followed by replication and imitation—for organizational innovation as well as product innovation.

But for the services in this Report, the market has three weaknesses.

- It responds exclusively to customer power, so there are no pressures for equity (much less equality) in the allocation of services (though it is not obvious that political systems lacking strong citizen voice have any greater pressures for equity).
- It will not, in general, satisfy collective objectives (simply adding up individual objectives). For instance, if one person's use of adequate sanitation affects those who live nearby, individuals may underinvest in sanitation.
- It can be effective in having customer power discipline providers only when the customer has the relevant information about provider performance. In ambulatory curative care it is easy for customers to know their waiting time and to know how they were treated. But it is very difficult for them to know whether the medical treatment they received was effective and appropriate for their condition.

From principles to instruments

This Report uses the framework of actors and their relationships of accountability and power to understand the successes and failures of centralized public service production—and to evaluate reforms and new proposed institutional arrangements for service provision. Given the failures and limitations of the traditional model of service provision—the long route—greater reliance will inevitably be placed on more direct client

influence—the short route. In some extreme cases where the long route breaks down suddenly, as in the aftermath of the breakup of the Soviet Union, reliance on the short route arises by default (box 3.6). But increased reliance can be deliberate, forming the basis of a wide variety of institutional reforms, each with strong advocates.

In education people believe that schools will improve with more use of choice through vouchers, greater community control, greater school autonomy, having more information about budget flows and more aggressive testing and school-based accountability. In health people believe that care will improve through greater demand-side financing (and less public production), more use of vertical programs for specific diseases, and community control of health centers. Others emphasize solutions that cut across sectors: community-driven development, participatory budgeting, power to local governments, “new public management,” and civil service reform.

All these proposals aim to improve services by changing the relationships of accountability. All recognize that, though there are many proximate causes of failure, the deep causes lie with inadequate institutional arrangements. If frontline workers (civil servants) in the existing organizations of public production are frequently absent, have little regard for clients who are poor, and lack the technical knowledge to perform their services well, this inadequate organizational capacity is the proximate cause of poor services. Too frequently those seeking improvement have focused only on internal organizational reforms—focusing on management of the frontline workers. If organizational failures are the result of deeper weaknesses in institutional arrangements (weak political commitment, unclear objectives, no enforceability), direct attacks on the proximate determinants (more money, better training, more internal information) will fail.

Different systems can underpin success. For example, countries have very different institutional arrangements in corporate finance. Crudely put, in Japan firms own banks, in Germany banks own firms, and in the United States banks and firms are separated. All three countries have very high levels

BOX 3.6 *Health care in Central Asia and the Caucasus: the long and short of it*

The upheavals that accompanied the breakup of the Soviet Union had serious consequences for the health sectors of the resulting states. In the Soviet era, the health system was run, virtually in its entirety, by the central government. It had its problems. It was rigidly financed on the basis of inputs rather than outputs. It was extremely biased toward hospital and specialist care. It inefficiently relied upon high-cost procedures and long hospital stays relative to other industrial countries. And it was not at all oriented toward clients. But it worked. Services were free to all, and particularly in the resource-poor republics, many in Central Asia, it contributed to levels of health status—low mortality rates and high life expectancy—much higher than in other countries at similar levels of income.

It worked because the two legs of the “long route” functioned well enough. A commitment to universal coverage of health and other social services deriving from socialist principles substituted for “voice” in the form of free political expression. “Compacts,” or more specifically direct management, were enforced through means of the substantial control government had over state-employed providers. There may have been some support for this arrangement from the “short route” due to monitoring by local party leaders, but this was distinctly secondary given the strong hierarchic management capacity of government.

Then the compact collapsed. Accountability to policymakers could no longer be enforced—there was no longer funding or control from the center. Within the republics, dramatic declines in income led to similarly dramatic declines in public funding for the sector. Also, since almost everything had been produced by the state, there was no history of setting priorities accord-

ing to the degree of public responsibility each activity warranted, so the budgets for even high-priority public goods were not protected. The resurgence of some vaccine-preventable diseases as well as the growth of infectious diseases (HIV/AIDS and tuberculosis especially) attest to this. The “compact” leg of the long route was gone; political structures for the “voice” leg were (and in some cases still are) yet to develop, leaving a vacuum.

All of the Commonwealth of Independent States (CIS) countries are struggling to replace the former system while suffering from the twin liabilities of declines in income and the legacy of an unsustainable degree of hospital—and staffing—intensity inherited from the former regime.

The pace and deliberateness of reform strategies have varied substantially among the CIS countries. In most there has been a marked increase in the private sector and in fees—both informal and institutionalized (particularly in Georgia and the Kyrgyz Republic)—in public facilities. Both tendencies have meant that private financing has become a large part of the health market—averaging around 40 percent but ranging from under 20 percent in Uzbekistan to over 90 percent in Georgia. Uzbekistan’s retention of a large public sector reflects a more robust economy. Having natural resources to sell led to a fall in income of only 5 percent between 1990 and 2000 in contrast to more typical declines of 30 percent in Armenia, 45 percent in Azerbaijan, or the more extreme cases of 65 percent in Moldova and 70 percent in Georgia.

Even when there was no deliberate policy of privatization—the sale of public facilities to a

recognized private provider—growth in the private sector was simply a matter of the market (the short route) taking over when the state became incapable of ensuring services. Similarly, the oversupply of hospital beds has fallen by an average of 40 percent from its 1990 level. Again, whether this was due to a deliberate policy (a 55 percent fall in Uzbekistan—almost all in public hands) or a simple necessity because of austerity and closures after privatization (the same 55 percent fall in Georgia) is an open question.

Reforms under consideration in the CIS countries generally involve such client-centered mechanisms as insurance (a conditional voucher) and capitation schemes, both of which allow payments to follow patients. Progress is slow, however. Institutions take time to develop and the information collection systems necessary for getting good results from insurance programs are still lacking.

The starting point for the CIS countries is very different from that of developing countries in general—too much infrastructure and resources rather than too little. However, in many ways the solutions will be similar. Substantially more reliance on the “short route” of accountability is likely, with government being a monitor and enforcer of the rules of the game regardless of who ultimately becomes the direct provider.

Source: Maria E. Bonilla-Chacin, Edmundo Murrugarra, and Moukim Temourov, “Health Care During Transition and Health Systems Reform: Evidence from the Poorest CIS Countries,” Lucerne Conference of the CIS-7 Initiative, January 2003.

of income—so it cannot be that *any* of these institutional arrangements is incompatible with economic development. At the same time, countries with financial arrangements very similar to one of these three have failed to develop. With many proposed solutions, does anything go? No. Solutions need to conform to certain principles, but the principles need to be implemented in ways that are appropriate to the time, place, and service.

American Indians as a group are the poorest minority in America. Some tribes, such as the Pine Ridge Oglala Sioux, have severe economic problems (unemployment in 1989 was 61 percent). But others, such as the White Mountain Apache, do badly, but much better (unemployment was only 11 percent). As part of attempts to control them, their gov-

ernments were imposed on them by the U.S. federal government and varied little across tribes. The imposed constitutions were reasonably well-adapted to Apache social and cultural norms, providing a reasonable fit between formal and informal structures of power. In contrast, the formal constitution was at odds with Sioux norms and led to continuing discord between formal and informal modes of exercising power, precluding the emergence of effective institutions.¹⁶⁶

Many African scholars argue that the roots of the problems in Africa today lie in the legacy of colonialism. Nation-state boundaries followed colonial power rather than African realities. The struggle over how to adapt or transform the transplanted institutions continues to influence debates today.

Here is how Mamdani opens his study, *Citizen and Subject*:

Discussions on Africa's present predicament revolve around two clear tendencies: modernist and communitarian. For modernists, the problem is that civil society is an embryonic and marginal construct; for communitarians, it is that the real flesh-and-blood communities that constitute Africa are marginalized from public life as so many "tribes." The liberal solution is to locate politics in civil society, and the Africanist solution is to put Africa's age-old communities at the center of African politics. One side calls for a regime that will champion rights, and the other stands in defense of culture. The impasse in Africa is not only at the level of practical politics. It is also a paralysis of perspective.¹⁶⁷

Reforming institutions to improve services for poor people will be difficult

Because institutional reforms change power relationships among actors, they are political reforms. But politics generally does not favor reforms that improve services for poor people. Such reforms require upsetting entrenched interests, which have the advantage of inertia, history, organizational capability, and knowing exactly what is at stake. Policymakers and providers are generally more organized, informed, and influential than citizens, particularly poor citizens. But reform is possible, even against these odds.

- Pro-poor coalitions for better services increase the odds for success.
- Change agents and reform champions can shape the agenda and follow through on implementation.
- When the prospects for successful institutional reform are not propitious, strategic incrementalism may be all that is possible. But pursuing it has the danger of being merely incremental incrementalism.

Pro-poor coalitions

In most instances making services work for poor people means making services work for everybody—while ensuring that poor people have access to those services. Required is a coalition that includes poor people and signif-

icant elements of the non-poor. There is unlikely to be progress without substantial "middle-class buy-in" to proposed reforms. In the words of Wilbur Cohen, U.S. Secretary of Health, Education, and Welfare under President Lyndon Johnson in the 1960s: "Programs for poor people are poor programs."¹⁶⁸

De Soto's study of rights to real estate in urban areas emphasizes that not only are poor people outside the benefits of having secure title and claim to their property, but so are nearly all of the middle class. His study of the historical evolution of property rights in the United States strongly suggested that the response to popular political pressure—not top-down technocratic design—was the key to a broad-based system of property rights.¹⁶⁹ Since poor people are excluded from many services, such as primary education or safe water, improvements in the system are likely to disproportionately benefit poor people.

But broad coalitions are not always sufficient because some services need to be tailored to destitute and disadvantaged groups (as in situations of ethnic or gender exclusion). A common obstacle in the access to services is that the socially disadvantaged are excluded—as a matter of policy, or because they feel excluded due to their treatment by providers, or due to actions of more powerful social groups within the community itself. The politics of services for disadvantaged groups are even more difficult, because coalitions made up exclusively of the powerless are often powerless.

Change agents—reform champions

Episodes of reform depend on reform champions, the entrepreneurs of public sector reform. They emerge from various sources. Politicians can often pursue service improvements even when the conditions are not propitious. They must act to create and sustain pressures for reform. Professional associations are often both the source of pressure for, and resistance to, major innovations. Dissatisfied with the progress in their field—education, policing, public health, sanitation—professionals emerge as champions for reform, putting pressures on politicians and policymakers for reform. For instance, the campaign of Public Services International for "Quality Public Ser-

Table 3.3 Modern institutions took a long time to develop

Institution/reform	First	Majority (of now developed countries)	Last	United Kingdom	United States
Universal male suffrage	1848 (France)	1907	1907 (Japan)	1918	1870–1965
Universal suffrage	1907 (New Zealand)	1946	1971 (Switzerland)	1928	1928–1965
Health insurance (the basis for what is now universal)	1883	1911		1911	Still no universal coverage
State pensions	1889 (Germany)	1909	1946 (Switzerland)	1908	1946

Source: Chang (2002).

vices” balances the unions’ role in protecting the rights of workers with support for innovation in public service delivery.¹⁷⁰ Linking the efforts of these “insiders” and “technocrats” to broader coalitions of citizens is often a key element of success.

Strategic incrementalism

Sweeping or fundamental reform of institutions is rare. It requires the right conditions. A recent study emphasizes how long the development of political institutions in the now-developed countries took (table 3.3). Most “modern” institutions of “modern” political and economic governance that are recommended today emerged late in the now-developed countries (at much higher levels of income than developing countries today). And they spread slowly across countries. In the United States universal white male suffrage was not achieved until 1870, female suffrage did not come until 1925, and true universal suffrage did not come until (at least) 1965. Switzerland did not adopt female suffrage until 1971. Canada’s widely discussed “single-payer” style of health insurance did

not emerge until the 1970s. Institutional reform that changes the landscape usually moves at a glacial pace—but glaciers do move and carve out new landscapes when they do.

The improvement of services, always pressing, cannot wait for the right conditions. Some arrangements, such as enclave approaches to delivering services to poor people, may not be sustainable in the long run, even if they improve outcomes in the short run. Often driven by donors, these actions can undermine national relationships of accountability (chapter 11). Sometimes the desirable arrangement is to strengthen the weakest link. If the policymaker-provider link is weak, contracting out services—such as Cambodia’s use of nongovernmental organizations for primary health services—may be the preferred arrangement. But incremental activities—pragmatic improvisation to make services work even in a weak institutional environment—should be used to create more favorable conditions for reform in the longer run. Temporary work-arounds cannot and should not substitute for creating the conditions for reform.

Universal primary education—what does it take?

Primary school enrollment in Uganda rose from 3.6 million students to 6.9 million between 1996 and 2001. What accounts for such a drastic increase in such a short time: Political will? Abolishing user fees? A good macroeconomic environment? Information to empower beneficiaries? All of the above.

President Yoweri Museveni's decision in 1996 to make universal primary education an issue in the presidential election campaign broke with his earlier position. He had previously emphasized that building roads and infrastructure would provide access to markets to enable people to generate income that would pay for schooling. But in a radio address in March, he promised to give access to free primary education to four children per family, up to two boys and two girls, and all orphans.

Although free primary education was only one part of Museveni's manifesto, it soon became clear that the promise had struck a chord with the electorate. Finance ministry officials recall that several of Museveni's advisors repeatedly sent them messages after campaign meetings, emphasizing how the promise had resonated with the public.

The May 1996 election was Uganda's first presidential election since the military takeover in 1986. Though the elections did not involve official multiparty competition, President Museveni faced a credible challenger, Paul Ssemogerere, the leader of the Democratic party. Ssemogerere promised to restore multiparty politics, negotiate with the rebel movement in northern Uganda, and grant greater autonomy to the Buganda region, once an independent kingdom. These stances positioned him for substantial regional support in northern and central Uganda. He also declared that he would match Museveni's promise to provide free primary education.

In December 1996, soon after a landslide victory, President Museveni announced the abolition of school fees. Since then there has been a sustained shift in Ugandan public expenditures in favor of education, especially for primary schools. Spending on education has risen as a share of government expenditures from an average of 20 percent in the three fiscal years preceding the election to an average of 26 percent in the three years following. Total enrollment in primary schools skyrocketed (figure 1).

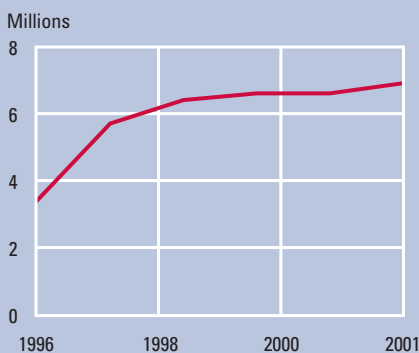
Did emerging democracy make the difference?

The argument that free elections contributed to the success in Uganda is buttressed by three observations. Education was a salient issue for Ugandan voters. The electorate had access to information about government performance in this area. And the success of universal primary education contributed to President Museveni's continued popularity.¹⁷¹

For candidates to believe that they will be judged on whether education promises are fulfilled, education must be important for voters. Museveni's 1996 commitment to universal primary education would have been expected to draw national support, while Paul Ssemogerere's positions on the northern rebellion, Buganda autonomy, and reintroduction of political parties would have been expected to generate regional support.

Museveni's victory did not depend on a single regional base of support. He received more than 90 percent of the vote in Uganda's western region, 74 percent of the votes in Paul Ssemogerere's home region (central), and 72 percent of the vote in the eastern region.

Figure 1 Enrollments increased dramatically after 1996
Primary school enrollments in Uganda, 1996–2001



Source: Murphy, Bertonecino, and Wang (2002).

In the elections in Malawi in 1994 the winning presidential candidate also made universal primary education part of his manifesto, but voting was much more polarized along regional lines than it was in Uganda. The winner would thus have had an incentive to continue to cultivate a regional base of support, rather than to deliver on a national issue like education.

Ugandan voters had access to various sources of information about the education initiative that enabled them to evaluate how the government had made good on its 1996 election promises. Major national dailies, such as *The Monitor* and *The New Vision*, continued to give prominent coverage to universal primary education issues.

Data collected by the Afrobarometer project show that Ugandans believe that President Museveni has performed very effectively, and in rating government performance they are most satisfied with education policy. During the June 2000 survey, 93 percent of respondents reported that they were either somewhat satisfied or very satisfied with Museveni's overall performance. Eighty-seven percent of Ugandans reported that their government was handling education issues well, while the average across the 12 African countries was 59 percent.

Macroeconomic stability and budgetary institutions

Democratic politics may have given the Ugandan government an incentive to deliver on its education promise of 1996. But success in reorienting public expenditures toward primary education has also depended on stabilizing the macroeconomic environment and developing budgetary institutions.¹⁷² Stable macroeconomic conditions have undoubtedly made it easier to forecast revenues and expenditures. Under more unstable macroeconomic conditions, African governments like Malawi have found it difficult to maintain a sustained commitment to increasing education expenditures.

Uganda's macroeconomic stability since 1992 has depended on budget reforms—from a cash budget system to the medium-term expenditure framework to the Poverty Eradication Action Plan. The framework aligns resources with budgetary priorities, while the cash budget system ensured that overall fiscal discipline is maintained if there are revenue shortfalls. The Poverty Action Fund has been particularly effective in ensuring that government spending priorities, such as primary education, receive needed funds. It seems unlikely that universal primary education would have been sustainable without these innovations in budgetary institutions.

The power of information in delivering funds for education

In 1996 a public expenditure tracking survey of local governments and primary schools revealed that only 13 percent of the per-student capitation grants made it to the schools in 1991–95.¹⁷³ In 1995 for every dollar spent on nonwage education items by the central government, only about 20 cents reached the schools, with local governments capturing most of the funding.

Poor students suffered disproportionately, because schools catering to them received even less than others. Indeed, most poor schools received nothing. Case study evidence and other data showed that the school funds were not going to other sectors either. The disbursements were rarely

audited or monitored, and most schools and parents had little or no information about their entitlements to the grants. Most funds went to purposes unrelated to education or for private gain, as indicated by numerous newspaper articles about indictments of district education officers after the survey findings went public.

To respond to the problem, the central government began publishing data on monthly transfers of grants to districts in newspapers and to broadcast them on the radio. It required primary schools and district administrations to post notices on all inflows of funds. This promoted accountability by giving schools and parents access to information needed to understand and monitor the grant program.

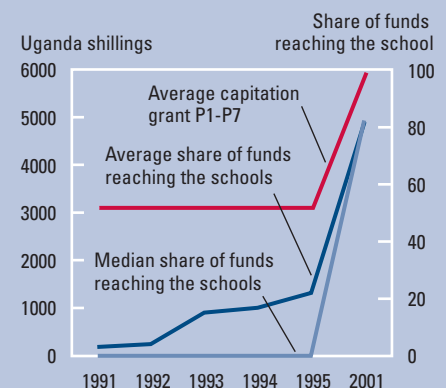
An evaluation of the information campaign reveals a large improvement. Schools are still not receiving the entire grant (and there are delays). But the capture by interests along the way has been reduced from 80 percent in 1995 to 20 percent in 2001 (figure 2). A before-and-after assessment comparing outcomes for the same schools in 1995 and 2001—and taking into account school-specific factors, household income, teachers' education, school size, and supervision—suggests that the information campaign explains two-thirds of the massive improvement.

In 1995 schools with access to newspapers and those without suffered just as much from the leakages. And from 1995 to

2001 both groups experienced a large drop in leakage. But the reduction in capture was significantly higher for the schools with access to newspapers, which increased their funding by 12 percentage points over schools that lacked newspapers.

With an inexpensive policy action—the provision of mass information—Uganda dramatically reduced the capture of a public program aimed at increasing access to textbooks and other instructional materials. Because poor people were less able than others to claim their entitlement from the district officials before the campaign, they benefited most from it.

Figure 2 Amount of capitation grant due schools actually received by schools, 1991–2001



Source: Reinikka and Svensson (2001), Reinikka and Svensson (2003a).