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# The Politics of Service Delivery in Democracies. Better Access for the Poor

Edited by Shantayanan Devarajan and Ingrid Widlund



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The Politics of Service Delivery  
in Democracies.  
Better Access for the Poor

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## 1. Introduction: The Politics of Service Delivery in Democracies. Better Access for the Poor

*Ingrid Widlund*

### *Starting points*

Clean drinking water, primary education, preventive and curative health facilities are all fundamental for human development and well-being. Yet, as the World Development Report 2004 demonstrated, the provision of such vital services in developing countries is typically skewed in favour of the non-poor. The better-off have not only the means to rely on private alternatives, but a higher percentage of public spending accrues to the richer sections. Furthermore, public services intended to benefit the broader citizenry tend to be fraught with problems of corruption, absenteeism and low quality. Funding is misappropriated, service providers do not report to work, buildings are in need of repair, basic materials (like medicines and teaching devices) are missing, and so forth (World Bank, 2003).

This is not an acceptable situation in any context, but the dismal performance of democratic regimes is particularly problematic and noteworthy. Democracies have the institutional mechanisms for toppling leaders who govern badly. Rulers can formally be held accountable for their performance, and citizens have a decisive influence on who is to govern on what grounds. As we all know, this is in many contexts not enough to ensure an equitable distribution of public services, or making improved educational and health outcomes a political priority. Why not? And what can be done about it?

These are questions for governments and citizens in the countries concerned, but they are also questions for donors of official development assistance. How to best strengthen democratic procedures and institutions so that public decision-making also benefits people in poverty underpins the very rationale for democracy promotion in development cooperation – to ensure influence for each and every (adult) citizen over his or her life situation. There is furthermore an increasing move from supporting single projects to untied general budget support and sector-wide approaches. The core commitments of the Paris Declaration – harmonization, alignment and ownership – follow from the analysis of the WDR 2004 to strengthen domestic systems and processes. These commitments have also resulted in an increased focus on Public Finance Management, i.e. methods and routines for the efficient use of public resources in policy planning and implementation.<sup>1</sup> New forms and priorities for official development assistance raise new challenges. Will for example direct budget support to central governments risk undermining the authority and room for manoeuvre of local governments? And what are the appropriate instruments for democracy promotion when moving away from project support?

The main insight of *Making Services Work for Poor People*, is that the pro-

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<sup>1</sup> See for example Sida's manual (Sida, 2007).

vision of service delivery is a deeply political matter, much beyond resources and institutional engineering. From that starting point, the Expert Group on Development Issues, EGDI, at the Swedish Ministry for Foreign Affairs, invited researchers and practitioners to a workshop in Stockholm in April 2006. Its aim was to encourage an informative debate on how to ensure better service delivery to the poor, and how democratic processes can contribute to that end. The theme and content was deliberately formulated in broad terms. Rather than focusing on a particular aspect of improving services (like strengthening ‘voice’), or a particular service (like health), the organisers wanted the discussions to cover a range of issues and provide several perspectives on those issues. Participants represented different disciplines, approaches and opinions.<sup>2</sup> The common understanding was that a strategy for improving basic services to the poor requires more than a technical management approach. The political conditions and dynamics must be considered for understanding current problems, and identifying remedies to them.

This volume brings together eleven of the papers prepared for the workshop, reflecting an array of understandings and approaches – thereby also reflecting the great complexity of the problem at hand. While the contributions are diverse in many respects, most of them analyse or recommend either governance reforms, or measures to affect the broader political arena. The first type refers here to changes in the administrative apparatus, that is, following Nelson (chapter 3, this volume), to ‘shift the allocation of authority and responsibility for social service delivery’. Different forms of decentralisation are cases in point. The second type concerns the relationship between various societal actors in relation to elected politicians and the state.<sup>3</sup> Another distinction that appears between some of the contributions is whether mechanisms for responsiveness or accountability are emphasised. Responsiveness refers to the actions and attitudes of bureaucrats and politicians vis-à-vis the citizens: to acknowledge and respond to demands. Accountability refers to the obligation of bureaucrats and politicians to justify and explain their actions, and to the possibility of citizens to sanction poor performance. In the analysis of the WDR 2004, it is precisely the strength of accountability relations between citizens, providers, and politicians that explain why services fail, or do not fail, the poor.

When entering a discussion on democracy and service delivery, one should keep in mind that authoritarian regimes can be very successful in providing basic services to its citizens, whether poor or non-poor. Democratic governance is in other words not a necessary condition for ‘access for the poor’. However, could the equitable provision of social services be a necessary, if clearly not sufficient, condition for democratic governance? In the strict sense, the answer is of course in the negative, but in this publication we meet the argument that the provision of social services do matter for the quality of democracy: in empowering citizens to make demands, claim their rights and be fully included in society.

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<sup>2</sup> See Appendix for a summary of the workshop discussions.

<sup>3</sup> This is not a water-proof distinction as governance reforms obviously alter the relationships between actors on the political arena, but it nevertheless serves to identify a relevant difference in emphases between the contributing authors.

Anirudh Krishna's contribution (chapter 2), highlights the democratic and economic importance of services in education and health. Education promotes political participation, and more accessible health services would, apart from the obvious benefits, also prevent many people from falling into poverty. In addition, accessible information about democratic rights, remedies and responsibilities has a separate and crucial effect on political awareness, efficacy and faith in the democratic system. Being poor often means being poorly informed, not only about one's rights and the means to exercise them, but also about economic opportunities and career paths. The 'conundrum', according to Krishna, is that people need services in education, information and health in order to be empowered to efficiently demand those services. From a similar vantage point, Peter Spink advocates in the final chapter (12) for a perspective on service delivery, in which the consequences for the quality of citizenship are at centre-stage. Efficiency and effectiveness in the provision of health, education and the like, should above all be judged against its implications for 'the conditions and practice of citizenship'. In addition, Spink argues that absent or skewed services are generating poverty, not just leaving poor people where they are.

This introduction is structured around three themes that come to the fore in and between the papers, and also correspond with important concerns and policies of international donors. The two distinctions that were outlined above will be visible in the account, but more directly addressed in the final section.

### *Decentralisation and participation*

Decentralisation of service provision, a case of governance reform, has been (and is being) carried out in several developing countries. Such measures are generally favoured by donors, as a means to strengthen democracy by moving public decision-making closer to the people, and improving the efficiency of spending. Decentralisation reforms can have several motivations, but they are often believed to, at least potentially, strengthen both mechanisms of accountability and responsiveness.

Joan Nelson (chapter 3) analyses measures to improve service provision in education and health in Latin America, in terms of the political challenges they meet. The author identifies three broad categories of reform and explores the politics of each of them: 1) expanding resources and facilities to better increase poor people's access, 2) improving quality and access through incentives for service providers, and 3) changing governance structures. Decentralisation reforms have been widespread on the continent, with mixed results. Nelson points out that decentralisation simply shifts the politics of service delivery to another level. Factors like the commitment of individual leaders, the local party system and economic and social structure impact on the likelihood for service delivery improvements, although service provision may receive more attention locally than at central levels. She emphasises that the central government nevertheless plays an important role even in decentralised systems.

In Brazil, the decentralisation of health services in the 1990s was part of a wider strategy to democratise the health system, which also included new participatory arrangements. Cláudio Duarte (chapter 10) as well as Vera Schat-



tan Coelho and Nílian Silva (chapter 11) analyse health service reform in two different contexts, the Cabo de Santo Agostinho municipality in the Northeast, and the São Paulo metropolitan area respectively. In Cabo, significant achievements were made on a number of crucial health indicators, largely thanks to the opportunities the system created for a committed local government that took office in the late 1990s. The main feature of decentralised governance that comes through in these chapters, is that it allows citizens to participate in the management of services, and thereby improves government performance. Both Nelson's and Duarte's accounts indicate that merely shifting resources and decision-making powers to local levels do not necessarily generate large benefits. Complementary measures are needed.

Omar Azfar (chapter 8) studies whether decentralisation leads to improvements in preference matching. The better the matching, the more responsive can and will the government be. Are local level government officials more knowledgeable about local level preferences than officials higher up in the hierarchy? Survey data from Uganda and the Philippines suggest that this is indeed the case, although such knowledge was still fairly limited in both countries. In James Manor's analysis (chapter 7), democratic decentralisation can facilitate constructive influence of local on higher levels in the system. In most developing societies there is, in his view, a gap between intermediate (district or *departement*) and local levels, to the detriment of service provision, among other things. How to bridge this gap is the main theme of Manor's paper, and he points above all at the neglected role of local 'fixers' and the potential of demand-driven programmes. But decentralisation has a role as well. When local service providers, like teachers and health professionals, are made accountable to local elected councils, absenteeism, for example, can be curbed. On the other hand, responsiveness to the electorate may not always improve services, as there is often a more immediate demand for small construction works, in irrigation and other infrastructure for example. Similarly and curiously, Azfar's results from Uganda showed a very low demand for immunization. Adapting to local demand in this respect would be counter-productive, and by implication, responsiveness, regardless of the service, is not necessarily a good thing.

Arrangements to enable and promote local citizen participation in the management of social services follow from decentralised governance and have also been regarded very favourably, and hence supported, by international donors. This is also a case of governance reform. According to Joan Nelson, client participation has been a widely accepted reform in health and education in Latin America, intended to strengthen both responsiveness and accountability. In her assessment, it is quite a challenge to make school and (especially) health councils effective, especially in serving the interests of the poor. There are indeed successful cases, but also many examples of the opposite.

The participatory features of Brazil's new health system are given importance in Duarte's account of how health improved in a Northeast municipality, in particular by involving the inhabitants in the introduction of local health teams. Based on review of experiences from Brazil, India and Bolivia, Azfar relatedly suggests that various participatory arrangements, such as participatory budgeting, is a promising avenue for improving the communication of information between citizens and public officials, and hence the matching of preferences.

In addition, participation can also impact on how preferences are formed. The demand for immunization in Uganda could have been higher if citizens had had the opportunity to learn from health experts in a participatory process. Both Duarte and Azfar thus convey a largely positive view on the impact of this type of governance reform for improving government responsiveness.

Peter Spink (chapter 12), in contrast, raises a word of caution about the ‘the new institutional forms’ of governance at sub-national level in Latin America, reforms that gather various civil society actors and community representatives into local planning bodies, advisory councils, and so on. Although there are examples of arrangements having a positive impact on active citizenship and, as is being implied, public services for poor people, the author sees clear risks that these participatory arenas may also reproduce inequities. Similar concerns are raised by Nelson.

From another angle, Anuradha Joshi (chapter 6) expresses some reservations about the perceived benefits of ‘institutionalised participation’, as well as of decentralisation. In particular, she holds that poorer citizens are unlikely to be able to secure greater responsiveness or hold service providers accountable on an individual basis. Collective action is required to overcome the various hurdles for doing so. Some of the recommendations of the WDR 2004, e.g. to increase choice of service providers, have in her view therefore clear limitations. In addition, the state’s ability to respond to these demands cannot be taken for granted, as the role of public agencies partly are redefined with citizen participation (along with pluralisation and decentralisation) to entail more complicated tasks of negotiation and public engagement. The message here is that broader political constraints may overrule the advantages of governance reforms.

### *Redirecting priorities*

Institutional arrangements matter, but Duarte’s paper especially, suggests that the commitment and priorities of bureaucrats and elected leaders matter as much, or more. They do so both for taking public service provision seriously, and for establishing and making operational the institutions which, to judge from the Cabo case, may contribute to better development outcomes.

Allocating more resources is one factor for increased access and quality. From the Latin American experience, Nelson points out that low-income groups do not have the bargaining power of the more vocal middle-classes, and it therefore takes a strong pro-poor commitment to reallocate resources to the benefit of people in poverty. One example is conveyed by Marcus Melo (chapter 9) who describes a recent school reform in Brazil (Fundef), which in five years led to a seven-percent increase of primary school enrolment in the country. The reform combined an increase of resources, with institutional measures to encourage the country’s municipalities to take a greater responsibility for primary education.

Rather than a matter of ‘commitment’, the inadequate prioritisation for basic services is in the volume analysed in terms of the logic of the political market. Philip Keefer (chapter 4) argues that the incentives of a politician are contingent upon his/her being believed by potential voters. Politicians who cannot credibly appeal to broad segments of the population will not care much for

policies that benefit the many, but concentrate on measures that can easily be targeted to select groups. Linked to this are problems of information. It can be difficult for people to assess in what ways political choices impact on the health and education of their family. Hence, they do not hold their politicians accountable for real inadequacies. As a consequence, reforms in service delivery are more challenging than in any other policy area. They require politicians with the right incentives, a public administration that works, and citizens informed enough to give credit to the political representatives who actually deliver.

Stuti Khemani (chapter 5) proposes an idea for a campaign to give health and educational outcomes an increased political salience in developing democracies, and thereby real incentives for politicians to improve service provision in these areas. Khemani notes that more information by itself, through greater media coverage for instance, is unlikely to help. It is rather a matter of encouraging more public attention to basic development parameters, something which journalists are not trained to assess. By regularly generating and disseminating information about specific developmental outcomes, citizens would be in a better position to evaluate government performance on such outcomes, which in turn could trigger political competition around them.

An underlying assumption (or conclusion) in a 'political market approach' is that change must occur through changed incentives, politicians' incentives in particular. Khemani's idea of an outcome-oriented information campaign, for example, ultimately aims at making quality service delivery be in the self-interest of political competitors, as adequately informed citizens exercise pressure via the ballot box. The explicit recommendation to donors is to help finance the required collection of data, and/or condition aid upon its production and public dissemination. This suggestion has bearing upon a larger discussion on conditionality, more specifically outcome-based conditionality, where it is being argued that international donors and development banks are placing too much importance on certain policy indicators, such as tariffs on trade and interests rates, rather than on actual outcomes.<sup>4</sup>

Khemani's specific proposal is the idea of improving social services via changed perceptions and expectations amongst the poorer voters. The call for donor conditionality concerns neither a particular outcome or a particular policy assumed to result in a particular outcome, but a measure that enables outcomes like child mortality and literacy to assume centrality in a democratic public debate on political performance. The suggestion is different from both support to independent media, a classic device for promoting democracy, and projects to publicise the allocation of resources for a certain purpose to counter the misuse of public funds.<sup>5</sup> The distinctive feature is that it seeks to overcome existing broad-based political hurdles to the better provision of social services. It constitutes a new way of thinking about relevant 'conditionalities', and a new method to address social development and democratic governance in an integrated manner.

With his emphasis on political credibility as a basic factor, Keefer recommends that international donors support policies that allow politicians to in-

<sup>4</sup> See for example Kanbur, 2005.

<sup>5</sup> See for example Reinikka and Svensson, 2003.

crease their credibility. In most countries this implies raising awareness and strengthening the ability to monitor, all in line with Khemani's ideas. In fragile states, however, a strategy for the long-run is to support government efforts to make and fulfil whatever promises their capacity allows, if only in the form of food baskets, which as he notes, is a strategy 'that donors universally abjure'. In parallel, donors can pursue the often chosen strategy to support service provision through non-governmental organisations, but this, he implies is only a constructive method in the short- or medium term. One can note that in Keefer's analysis, politicians' incentives follow from their credibility with voters and supporters only. Any free-standing commitment, on ideological grounds for instance, is not really conceived of here.

### *Civil society and service delivery*

There is a more or less unequivocal view amongst international donors, as well as social and political theorists, that an independent civil society is good for development and should be promoted. Civil society organisations/NGOs are also relied upon as service providers in contexts where the state is deemed incapable of performing such tasks well. Accordingly, considerable resources have been channelled into 'development-oriented' NGOs engaged in health, education, housing, environment, etc, but also women's organisations, human rights groups, micro finance institutions and other membership-based organisations. Civil society is assumed to strengthen democratic systems in a number of ways: providing representation for marginalised groups, disseminating information on the political system, raising awareness about citizen rights and, generally, contributing to a democratic culture.

Nelson notes that NGOs are sometimes used to deliver health services and education in geographically remote areas. However, such programmes have been relatively limited in their extension and could never, she argues, replace good public services. In Manor's assessment, the local organisational presence of civil society is weak in most developing countries and, by implication, cannot play such a role on any major scale. In addition, governments tend to manipulate their arrangements with NGOs. With an example from Pakistan, Joshi however argues that citizen groups based on ascriptive identities (clan, ethnicity, religion) can play constructive roles in service delivery.

In this volume the role of civil society organisations as reform actors, monitors, innovators and participatory agents in public decision-making, come to the fore. The two chapters on health services in Brazil, for example, inform us that reform was, at least partly, a response to a coordinated health reform movement, which in the 1980s successfully mobilised a broad array of groups in society, from public health professionals to students, intellectuals and religious communities.

The reform movement evolved at a particular historic juncture, the transition from military rule to a democratic regime. Nevertheless it demonstrates that civil society, in its broad sense, can induce far-reaching policy change. Civil society organisations now take part in the management of services through representation in government health councils at local, provincial and state level. According to Duarte, their participation, along with that of patients' repre-

sentatives, is on the increase. As noted, also Coelho and Silva suggest that the involvement of civil society – within a broader frame of participatory measures – may have played a significant role for the progress made in Brazil.

Brazil's reform in primary education, as shown by Melo, did not have that type of background, but this experience indicates that associations of public servants – in this case municipal and provincial education secretaries – can be important supporters of service delivery reform. Although not 'civil society' in regular development parlance, such associations are clearly not 'state' either. In a more general discussion, Joshi similarly points out that professional associations and public sectors unions can be important actors for or against service delivery reform. Where state capacity for regulation and monitoring is weak, such organisations can moreover improve the quality of services, and become more responsive, through a concern for professional norms and standards. Along with Melo's example, this implies that it might be useful for donors to have a broader conception of civil society than is commonly the case, and by implication, extending some support, to those types of organisations as well.

Peter Spink's (chapter 12) presents lessons and experiences from a systematic effort to identify and learn from innovative practices in service provision amongst sub-national governments in Brazil. One major lesson is that the concerns of poor people are best voiced by their own organisations – no matter how loosely organised or otherwise odd to the outsider. In addition, none of the successful experiences started out as clearly defined development projects or policies. They were usually created by public officials and social activists in close interaction to deal with specific local problems. Both these lessons (and others) have, however, been difficult for domestic and international aid agencies to absorb.

This might be an important observation for donors. Although it is most certainly easier to interact with a conventional NGO, or a membership-based organisation of the familiar type, people in poverty sometimes organise in other ways – in ways that benefit innovation in public management. A broader implication is that a role for civil society organisations as advocates or providers in a certain sector cannot be entirely separated from their role as players for the long-term benefit (or detriment) of democracy, from Spink's perspective through the effect on how citizenship is experienced. NGOs at both ends of the donor-recipient relationship could do well to bear that in mind.

### *Policy considerations for donors*

The distinctions identified at the outset, especially between governance reforms and measures to affect the political arena, may reflect real strategic considerations for international donors in cooperation with democracies and countries on the path to democracy. It is unlikely to be a matter of 'either or', but one of the appropriate emphasis given the conditions at hand. Supporting governance reforms in the form of decentralisation and participatory arrangements constitutes in practical terms the least complicated, and perhaps partly for that reason, most favoured option, amongst donors.

In this volume, governance reforms are addressed or highlighted in several papers, indicating both significant potential and possible risks. The experience

presented in Duarte's paper, for example, suggests that local participatory arrangements can have a real impact on improving services for the poor. However, Duarte also points out that these arrangements function poorly in small municipalities. The lesson may be that donors need to have realistic expectations and learn more about what conditions are required for reforms to work well.

The other approach, geared at the broader political arena, appears in at least two varieties here. Joshi emphasises for example, the importance of citizens engaging collectively vis-à-vis the state, as well as the importance of state capacity to negotiate competing demands from collective actors. Keefer and Khemani focus on the relationship between voters and elected representatives, and how the expectations and incentives of both set of actors can be modified through other or better information. Also Spink's analysis of local innovations and the adjoining argument for considering the 'citizenship effect' of public services conveys an interest in the broader political arena, in contrast to specific governance arrangements. It goes without saying that the policy implications of these varieties differ from one another, and neither they, nor the distinctions, are clear-cut either. Suffice it to say that donors, to the extent the new aid agendas will allow for it, may find reason to place greater emphasis on the factors of the broader political arena, and in addition try to bridge the sector gap between democracy promotion on the one hand, and efforts to promote health, education and the like, on the other hand.

Note also that two different conceptions of citizen impact in democracies can be discerned. As Keefer himself notes, the emphasis of his (and it could be added: Khemani's) approach is on citizens as monitors of government performance. If the ability to monitor is strengthened, the argument goes, so is accountability and by implication the reach and quality of basic services. In the second conception, citizens can have an impact through active, in-between election, participation, whether as innovators like in Spink's example, or other forms of active engagement. Participation does not preclude monitoring, but the conceived role for citizens is nevertheless of a different kind. Both avenues for impact and a strengthened democratic citizenship are clearly important, but the focus and emphasis in a strategy for change can be different.

What unites the contributions in this volume is the interest in and sensitivity to the often intricate political context for shaping realities on the ground: Is there a local school, is there money for teaching materials, does the teacher show up? The new concern amongst donors for public finance management makes perfect sense: handling public money well is a key concern from any perspective. But to the extent the volume has a main message, this is to never forget that public finance is always managed (or mismanaged) in a particular political milieu of competing interests, conflicting demands, and incentives guided by forces other than economic and administrative rationality.

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## 2. The Conundrum of Services: Why Services are Crucial for Making Service Provision Better

*Anirudh Krishna*

### *Poor people and democratic citizenship*

Conventionally, it has been held that poor people are less engaged with democracy than richer people. This assertion has derived considerable empirical support within rich countries, where poorer citizens are nearly universally found less likely to be politically active; better-off citizens participate more actively in a range of civic and political activities, providing the vigor and vibrancy required for democracy to flourish. This image from the advanced industrial democracies gives considerable support to an elite theory of democracy. From these observations a conventional wisdom has arisen holding that poor people in general, and particularly poor people in poor countries, participate less actively in politics and support democracy less than those who are relatively better off. Democracy will be more vibrant and stable, it is proposed, when mass poverty has been largely eradicated.

An accumulating mass of evidence has been showing, however, that this conventional wisdom is *wrong* – or at least, if ever correct, it is no longer true. Research by Yadav (1999) showed that poor people in India tend to vote as frequently as those who are not poor. More recent research extends this finding both geographically and in terms of broader engagements with democracy.

In a swathe of countries across Africa, Latin America and South Asia, it has been found that democracy is as attractive, and in some cases even more attractive, for poor people as for the non-poor, and non-democratic alternatives, including militancy and terrorism, are equally unattractive for both groups. A study by Bratton (2006), examining political attitudes and behaviors in fifteen countries of Sub-Saharan Africa, shows that the poor participate more in Africa's new democracies than do the relatively rich. Similarly, Krishna's (2006a, 2006b) studies of rural India and Booth and Seligson's (2006) study of eight Latin American countries find that poor people in poor countries are strongly supportive of democracy. These recent findings overturn the conventional wisdom on this subject. Poor people value democracy as much as others and they participate equally in various democratic activities.

Yet, democracies do not necessarily provide any better for the poor. Even as poor people participate in democracy as vigorously as others, they are quite often unable to derive any significant material rewards. Poor people have relatively little access to public services; "public spending on health and education is typically enjoyed by the non-poor" (World Bank, 2003). How can this imbalance be rectified? In this paper, I make an effort to understand the appropriate role of service provision. Bringing together results from a collection of recent empirical studies, I show that improving service provision is essential for enhancing the quality of democratic citizenship. People who are unable to



advance economically, who are vulnerable to descents on account of ill health, and who are uneducated and ill informed about the remedies available to cope with these handicaps are illequipped to make governments work better on their behalf. Providing them with better services will help to make their demands more effective.

I also argue that while empowered citizens can demand better services, empowering people is contingent upon making services better. Resolving this conundrum is, practically speaking, a critical question of our time. I make an effort here to understand better the nature of this conundrum and to suggest some steps that can help with its resolution. Information provision is an important new part of the suggested answer. Arming citizens, especially poorer ones, on a regular basis with particular kinds of information will better help them surmount the many obstacles they currently face.

### *Political empowerment: education and information*

In the political domain, education and information have a considerable role to play. Recent studies, which show that poor people participate as much as others, also highlight the role of *education* in raising political engagement and activeness. More educated citizens are more highly engaged with democracy and they also have higher faith in democratic institutions.

Bratton (2006) finds that education widens people's horizons, exposes them to new viewpoints, and enhances values conducive to democracy. Even primary education under autocratic regimes in Africa has had this positive effect. Booth and Seligson (2006) find that education consistently enhances political participation across all eight Latin American countries that they have studied. It follows that enhancing access to education should correspondingly increase poor people's participation in democratic politics. In turn, increased participation should help raise governments' awareness of poor people's needs.

In addition to education, information also helps enhance poor people's participation in democracy. Krishna (2006a) considered the separate effect of information on political participation and also on political efficacy and faith in democracy, finding that information has an independent and strong influence on all three indicators. Individuals armed with information about rights and remedies can much better hold their governments to account – not just at election time but also on a more regular basis.

Providing information to citizens about democratic rights, remedies and responsibilities is an important remaining task. Just because some democratic right exists or some government office has been set up to help enforce such rights, people do not immediately come to know about its operation. One quite active villager in Rajasthan, India put it to me as follows:

*How can villagers who do not know where to go and what to do take part [in democratic decision making]. If they do not know the rules, how can they get any benefit from these rules? Yes, we can have lots of rules [about democracy], but unless people know about these rules and utilize [this knowledge], these rules are of no use to them.<sup>1</sup>*

<sup>1</sup> Interview with Mothulal Vaishnava, Kailashpuri village, Udaipur district, May 22, 2002.

A democracy with poor information is an incomplete system, which by its very design tends to promote exclusion. It matters little if democratic rights are guaranteed to all by a country's constitution: if some person does not know what democratic rights she has, or if she does not know what needs to be done in order to have those rights enforced, then for all practical purposes these rights do not exist for this individual. And if there are many such individuals who do not have the information it requires to participate in and partake of democracy, then it follows that their ability to enforce responsiveness and accountability will be low.

Expanding education and enhancing information availability on a regular and reliable basis will be necessary to make democracy more meaningful for poor people in such situations. Education together with specific information about making democracy work can help overcome considerably the disabilities associated with being poor (or being otherwise disadvantaged, for instance, on account of gender).

The conclusion from this section can be stated as follows:

*(a) Investment in human capital in the form of higher levels of education and more information about rights and remedies associated with democratic citizenship is crucial to widening and strengthening democracy.*

### *Economic empowerment: the failure to connect*

Economic democracy – more precisely, promoting equal opportunity for upward mobility – is also crucially dependent upon information and education becoming available in greater measure and higher quality. Evidence that I collected over the past three years from a sample of 150 communities in three quite diverse developing countries (India, Uganda, and Peru) shows that over the past ten years, while democracy and market reforms have been active in these countries, hardly anyone from these poorer communities has ascended to any high-paying position in any walk of life (Krishna, 2004; Krishna, et al., 2006a; Krishna, et al., 2006b). Table 1 below presents the results of inquiries conducted in 71 villages of Rajasthan, India. Over all of the past 12 years, hardly anyone among more than 200,000 residents of these villages has advanced very far.

**Table 1. Highest positions reached in 71 Rajasthan villages (last 12 years)**

Accountant	(2)	Lineman	(7)
Advocate	(4)	Panchayat Secy.	(4)
Computer Operator	(4)	Patwari (village accountant)	(11)
Constable	(8)	Peon	(6)
Clerk Typist	(10)	Sub-Inspector	(4)
Doctor	(1)	Schoolteacher	(50)
Driver	(4)	Jawan (Soldier)	(32)
Civil Engineer	(2)	Software Engineer	(1)

Source: Krishna and Brihmadessam (2006)

About onethousand individuals in these 71 villages graduated from high schools during this period of 12 years, yet only one was able to become a software engineer, one other became a civil engineer, one became a medical doctor, and one is practicing as a lawyer in the local courts. Others who did get jobs mostly joined at very low levels in government departments, while many – most – who graduated from high school (and some who completed college) were unable to find any acceptable position.

High growth rates sustained over more than ten years have been commended by analysts of India's economy. It is calculated that every year a hundred or more new millionaires get created in India.<sup>2</sup> Yet for poor people from poor villages, no matter how talented they might be, these opportunities for upward mobility are virtually non-existent.

The same story was repeated in rural communities of Uganda that I studied. Growth rates in Uganda have been high over the past decade. But that has meant little in terms of individual advancement for poor people in villages. Among all residents of 40 village communities in Central and Western Provinces, only two individuals became doctors over the past ten years, two more became school teachers, two more got positions in commercial banks, and one became a hospital laboratory technician. These were the highest positions – in any walk of life – that anyone from these 40 villages achieved over all of the past ten years.

Rural residents in Peru have not fared much better. Several among them have come out of poverty, it is true – but hardly anyone has risen any considerable distance from being poor. Among all residents of a sample of 20 communities in the Puno region, for example, four people became school teachers over the past ten years, one became a nurse practitioner, and one exceptional individual, who left to study at a university in Argentina, became a biological chemist. In most communities, the highest positions achieved by any resident were those of president, deputy or councilor in the local community council. In countries as diverse as India, Uganda and Peru, poor people from poor communities have not been making it to high positions. They are not only shortchanged by poor service provision; opportunities more broadly are passing them by.

What will it take to make economic opportunities more broadly accessible? As new and better-paying positions get created in the wake of globalization and economic growth, how can poorer people become better connected to these opportunities, becoming partners in growth rather than “beneficiaries” of hand-outs and projects?

In order to answer this question – in an exploratory and preliminary manner – I looked at the contrasting case of a sample of new recruits within the software industry of Bangalore, India, which is by many accounts the fastest growing provider of high-paying jobs in this country. Looking within this pool of new recruits, I addressed a series of related questions: Who has benefited from the creation of these large numbers of better-paying jobs? Have people from less

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<sup>2</sup> “A recent report by the National Council for Applied Economic Research, based in New Delhi, forecast that the number of ‘crore-patis’, Indian society’s rough equivalent of a millionaire, rose by two-and-half times in the last three years to an estimated 53,000 households nationwide” (Somini Sengupta, *New York Times*, February 28, 2006).

privileged backgrounds also succeeded in rising to these positions? What factors have assisted and what obstacles have hindered the rise to these positions of poor people from villages and other excluded groups? A random sample of 150 new recruits was drawn from among all professionals recruited at the entry level within the past five to ten years by three Bangalore-based software companies of different sizes. Based on our initial invitation and subsequent reminders, a total of 102 employees completed a pre-tested survey form online, making for a quite remarkable response rate of almost 70 percent. Interviews with human resource development managers in a larger set of companies revealed that recruitment practices in these three companies are representative of practices in other software firms. The results reported below are not dissimilar from what one would expect for the larger industry.

The majority of respondents grew up in urban settings. Only fourteen respondents come from a rural area – their families belong to rural areas, and they received part or all of their school education in rural schools. The remaining 86 percent have backgrounds that are mostly or entirely not rural. The fact, reported above, that despite education rural residents have mostly made it only to a few low-level entry positions, is corroborated by these data from the software industry.

While none among these respondents comes from a background of extreme poverty, several faced conditions that are quite restricting economically. About 15 percent of newly recruited software professionals grew up in households that possessed only a bicycle and/or a radio and no other significant assets. This is an interesting finding and a hopeful one, and I will return to it after discussing the rest of these results.

Most important, however, is a factor associated with parents' education. Only those individuals have been able to gain entry into this industry whose parents are both quite highly educated. Most respondents' fathers have either a Bachelors degree (46 percent) or a Masters degree (31 percent). Thus, more than three-quarters of the sample have fathers who are college graduates. Fathers of the remaining individuals in the sample have at least a high school education (Table 2).

**Table 2. Parents' Education Level (percent of respondents)**

Level	Fathers	Mothers
PhD	3	1
Masters or equivalent	32	13
Bachelors or equivalent	47	37
High School	17	29
Less than High School	0	17

Source: Krishna and Brihmadessam (2006)

In addition, respondents' mothers are also mostly well educated, though not on average as well educated as their fathers. 52 percent of respondents' mothers have a Bachelors degree or better, while another 31 percent have high school diplomas. It is this *combination of relatively highly educated fathers and mothers*

that most clearly identifies new entrants to India's software industry.

While it is encouraging that two educated parents can help overcome limitations associated with family economic conditions or rural education, having two educated parents is also very uncommon in India. Among people above 45 years of age (i.e., within the age group of likely parents of new entrants), less than two percent of rural residents are college graduates and less than *seven* percent have a secondary education.<sup>3</sup> Considering women alone, this percentage is even lower. Among rural women aged 15 years and higher less than *four* percent have a high school education and less than one percent are college graduates.<sup>4</sup> Among women who are older this percentage is smaller still.

Thus, if having two educated parents is a "requirement" for entry to better-paying jobs, at best somewhere *between four to seven percent* of all rural Indians will qualify to gain entry. The rest, more than 90 percent, will most likely not advance very far – not because of any fault of their own but simply because their parents have little or no education. This is neither encouraging nor acceptable. Why should parents' education matter so much? Our investigations revealed that parents' education acts as a surrogate for another critical factor: *information*. In an environment where information is not otherwise easily available, where information about career opportunities is mostly propagated by word-of-mouth, where no counseling centers or career guidance are available in schools and colleges, having two educated parents – who are networked with other educated and well informed people – is often an individual's only source of guidance about career pathways.<sup>5</sup>

Children from poor communities are at a particular disadvantage in this respect, which appears to be growing (and not reducing in salience) over time. Referring once again to Table 1 we notice how hardly any individual coming from 71 villages of Rajasthan succeeded in rising to any high-achieving position. Interviews with some of these individuals and other selected young residents of these villages were undertaken to inquire about the key obstacles they have faced.

A very important reason indicated by these rural respondents relates to lack of information about career opportunities and pathways resulting in lack of access to better-paying positions. In rural villages and in other communities where poor people mostly live, knowledge about opportunities and career paths is very hard to come by. Many talented young people are being left behind because no information reaches their communities. They do not know what new opportunities are opening up in the economy, what kinds of trainings to obtain in order to avail oneself of these opportunities, where to go and how to apply for these positions, and what it takes in order to compete successfully with other candidates.

This tragedy of poor information provision must be overcome. It is not only

<sup>3</sup> "Consumer Expenditure and Employment -Unemployment Situation in India", National Sample Survey Report No. 386, 46th Round, July 1990-June 1991 (cited in [www.indiastat.com](http://www.indiastat.com)).

<sup>4</sup> "Attending an Educational Institution in India, Its Level, Nature and Costs", National Sample Survey Report N. 439, 52nd Round, July 1995-June 1996 (cited in [www.indiastat.com](http://www.indiastat.com)).

<sup>5</sup> A study conducted in one part of Bombay, India by Munshi and Rosenzweig (2005) also finds that returns to investment in education are much higher for families that have better networks providing information and access.

talented individuals in poor communities who suffer. Countries' economic performance also suffers when many talented individuals are forced by circumstances into dead-end low-performing jobs.

Two conclusions follow from the analysis in this section, which must be added to the conclusion reported in the previous section:

*(b) Poor service provision is part of a larger problem of exclusion and disconnectedness. Poor people in poor communities, even when they acquire education, are still unable to advance economically as far as their talents permit.*

*(c) Lack of information (about alternative career opportunities, pathways and preparation) is an important explanatory factor. Lack of high-quality education together with absence of information severely restricts the opportunity for upward mobility.*

### *Reducing vulnerability: a focus on health*

One last piece must be introduced before bringing together the different parts of this puzzle. Throughout the world, people not only rise out of poverty; people fall *into* poverty as well, and quite a large number of people have been falling into poverty. Table 3 reproduces results from a sample of recent studies that have examined household poverty in dynamic context.

**Table 3. Escaping Poverty and Becoming Poor: Some Illustrations**

(1) Country/ Region	(2) Study	(3) Period	(4) Sample (households)	(5) Percentage Escaped Poverty	(6) Percentage Fell Into Poverty
India (Rural)	Bhide and Mehta (2004)	1970-1982	3,139	23	13
South Africa	Carter and May (2001)	1993-1998	1,171	10	25
Uganda	Deininger and Okidi (2003)	1992-2000	1,300	29	12
India (Rajasthan)	Krishna (2004)	1976-2001	6,374	11	8
Kenya (Western)	Krishna et al. (2004)	1978-2003	1,706	18	19
Peru	Krishna et al. (2006b)	1994-2004	3,817	19	8
Bangladesh	Sen (2003)	1987-2000	379	26	18

The first row of this table shows that among a nationally representative sample of 3,000 rural households in India, studied by Bhide and Mehta (2004), 14 percent escaped from poverty between 1970 and 1982. During the same 12-year period, another 13 percent of households fell into poverty. Carter and May's (2001) study of 1,171 households in KwaZulu-Natal, South Africa, shows similarly that over a five-year period, 1993-1998, ten percent of households moved upward out of poverty, but more than twice as many households, 25 percent, fell into poverty during the same time period.

A host of studies – undertaken by different scholars, in diverse countries, and using different methods – show commonly that a falling tide operates alongside

a rising tide everywhere. A subgroup of these studies goes further and probes household-level reasons responsible for escaping poverty and falling into poverty.

Between 2002 and 2006, colleagues and I undertook a series of studies spanning 223 communities and over 25,000 households in diverse areas of Kenya, Uganda, Peru and India, using the Stages-of-Progress methodology, which allows us to examine poverty dynamics from the perspective of the communities surveyed.<sup>6</sup> We found that escaping poverty and falling into poverty are *not symmetric* in terms of reasons. Poor people escape from poverty as a result of one set of reasons, but people fall into poverty on account of a different set of reasons. Ill health and high healthcare costs are overwhelmingly the most important reason for households' descents into poverty.

Health and health-related expenses were mentioned as important reasons associated with nearly 60 percent of all descents recorded in villages of Rajasthan, India, 74 percent of all descents examined in Andhra Pradesh, India, and as many as 88 percent of all descents studied in villages of Gujarat, India. In communities of Kenya, Uganda and Peru that we studied, respectively, 76 percent, 71 percent, and 67 percent of all descents were associated with ill-health and health-related expenses. Not only does ill-health reduce the earning capacity of a household's members; in the absence of affordable and easy-to-access healthcare facilities, it also adds considerably to the household's burden of expenditure, thereby striking a double blow, which quite often results in tragedy. The resulting dependence of survivors, including orphans, upon other households contributed further to descent in many cases. The story is not dissimilar in richer countries. More than half of all personal bankruptcies in America are attributed to high medical costs (Himmelstein, et al., 2005).

High-interest private debt compounds the ill effects of health. Scholars have computed that a very large part of debt incurred by poor families in India and elsewhere arises on account of large healthcare expenses (Dilip and Duggal, 2002). In rural Vietnam, 60 percent of poor households were found to be in debt, with medical expenses as the main reason for indebtedness (Ensor and San, 1996).

Another important conclusion follows from this part of the examination:

*(d) People are vulnerable to falling into poverty – and the main factor responsible is related to health. Improving healthcare, and associated with it, improving water supply and sanitation services, is critical for reducing vulnerability to poverty.*

### *The conundrum of services*

We have seen so far that poor people are no less attracted to democracy; in fact, they participate in democracy as actively as all others. However, their ability to take advantage of the benefits, protections and opportunities of democracy is substantially reduced because of insufficient and ineffective service provision.

<sup>6</sup> Results from these studies are reported in Krishna (2004, 2006c), Krishna, et al. (2004, 2005, 2006a, 2006b). Working papers and a full description of the Stages-of-Progress methodology are available at [www.pubpol.duke.edu/krishna](http://www.pubpol.duke.edu/krishna)

*Education* tends to widen participation and strengthen democracy. Education is also highly desirable for promoting upward mobility, i.e., economic as well as political democracy is better promoted when high-quality education is available to all.

*Health* has an equally important role in empowering poor people. Critically, improved healthcare is essential for reducing people's vulnerability to poverty. Once again, information can play a critical role. Households' vulnerability is reduced significantly when more information is at hand about common diseases, their symptoms and early-stage remedies; about sound hygiene practices; about the reputations of healthcare providers in their vicinity; and about appropriate fees to pay for particular treatments and tests.

*Information* provision has a separate value in addition to education and health. Regular and reliable information flows help promote upward mobility and enhance democratic participation. Information about democratic rights and remedies is important for making democracy work for ordinary people. Information about career possibilities, the pathways involved, and the preparation required, is essential if economic democracy, involving equal opportunity, is to be achieved.

Bringing together the separate conclusions reported in the preceding sections suggests that empowering poor people requires providing them with better services. Once empowered in these ways, poor communities can more effectively demand better services, but empowering them requires making better services available in the first instance; herein lies the rub.

How can this conundrum of services be resolved better in practice? It is sometimes supposed that economic growth will automatically solve these problems, but economic growth provides at best only a partial answer. The wherewithal to solve these problems increases when growth is higher, but active policy intervention is nevertheless required. Take, for instance, the case of Gujarat, a state in India that has achieved eight percent growth rates for over a decade. Yet, healthcare in fast-growing Gujarat is no better than in other, much poorer, states of India. In fact, Gujarat ranked fourth from bottom among 25 states in terms of proportion of state income spent on healthcare. Large numbers of people have fallen into poverty on account of health-related reasons in 35 of the 36 Gujarat communities studied by Krishna, et al. (2005).<sup>7</sup> Contrarily, healthcare and education have been much better provided in the Indian state of Kerala, where growth rates have been considerably lower (Sen, 1999).

At the country level, Japan is often cited as an example for the belief that countries can quite simply grow their ways out of poverty and poor service provision. High rates of growth were, in fact, sustained for several years after the early 1950s in Japan, but the Japanese government also adopted numerous policies specifically intended for more effective service provision. Research by Milly (1999) shows how quite early in their growth process Japanese government officials recognized the causal inter-relationship between poor health and poverty. Officials "blamed illness as a major cause of impoverishment; stressed the urgency of fully implementing universal health insurance; and placed health

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<sup>7</sup> Affordable and effective healthcare services provided by a local NGO have staved off descents into poverty within one exceptional community.



insurance first” among measures adopted to respond to high poverty in the 1950s. Universal health coverage, installed in the 1950s, continues with modifications to this day. Other policies and institutions were also developed to deal directly with service provision to poor communities. Other countries that have single-digit poverty rates have also provided affordable high-quality healthcare to all, and they have also adopted other service provision measures.

Economic growth is neither a guaranteed route to health improvements nor is low growth necessarily a barrier to progress. Comparing progress in child mortality rates, a key indicator of improved health status overall, the United Nations’ Human Development Report for 2005 notes that “countries at similar levels of income display huge variations. For example, Honduras and Viet Nam have far lower levels of neonatal mortality than India and Pakistan ... Indeed, at a lower rate of income and a comparable rate of economic growth, Viet Nam has now overtaken China on improvements in child mortality. Similarly, at a lower level of income and with far lower growth, Bangladesh has overtaken India” (HDR, 2005: 29-30).

Building appropriate institutions has been key for this effort, and varied institutional responses have worked better in different contexts in order to improve service provision for poorer people. NGOs have provided services in some instances, while government departments and private agencies or foundations have provided them in other instances. Information provision has been an important component of this effort.

### *Improving information provision*

Knowledge about the rights that one has as a citizen, about how to seek redress if one feels one’s rights are being violated, about which officials are responsible for what parts of service provision, and about how to hold these officials to account more effectively – these crucial bits of information are essential in order to make democracy more functional. Institutions, such as political parties and civil society organizations, which enable ordinary citizens to obtain relevant information from the state have helped enrich in different contexts poor people’s experiences of democracy.<sup>8</sup>

As argued above, information is also a critical need for promoting poor people’s life chances in the economic realm. Youth from disadvantaged communities are frequently unable to rise as high as their talents and capabilities allow. Lack of information about career opportunities and pathways and lack of connections to the growth sectors of the economy are as important as poor-quality education in explaining this gap between capability and achievement. Institutions providing regular and reliable information – such as career counseling centers in high schools – can help bridge this gap. Other information-promoting initiatives that can help raise poor youths’ capacities to aspire (and

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<sup>8</sup> One notable example is that of the right-to-information movement in India. See <http://www.righttoinformation.info>

achieve) will also help show the way.<sup>9</sup> When one person from a poorer community succeeds in becoming a software engineer others like them will also aspire to and plan for better things.

One should not assume that education alone will suffice. “He is good at mathematics and he wants to be an engineer, but no one here can guide him about what he needs to do”, the father of a gifted twelve-year old boy told me in a village of Andhra Pradesh, India. I have heard similar experiences narrated by countless other children and parents as I investigated poverty and its causes in diverse parts of India, Kenya, Uganda, and Peru. No one guides young people toward suitable career pathways because no one within these communities possesses the required information and no one from outside these communities has been made responsible for filling this gap. My own two children, attending high school in the United States, were privy to a barrage of career-related information, with access not only to dedicated counselors at school, but also to several college guide publications, to libraries and internet sources, and to numerous friends and their parents, who opened their eyes wider to the available alternatives.

The children whom I meet in rural communities in developing countries have none of these avenues available to them. They live on the wrong side of a very wide *information divide*. The information-poor environments in which they live severely limit their capacities in the political and the economic realm. Libraries and internet access are hardly available in these settings, and newspapers have only recently started penetrating remote rural areas. As one newly recruited software engineer told me in Bangalore, “Yes, I actually knew that there probably are many job opportunities, but I didn’t have any access. Even now we don’t get newspapers in my village.”

Reducing the gap in information remains a key task of development. More is being learned about how this task can be accomplished. The media can become a powerful counter-force to lack of information. In the Indian state of Karnataka, for instance, the provision of information about local-level democracy through the means of public radio was received enthusiastically by listeners in far-flung villages, and it enabled poorer individuals to participate in numerous activities associated with democratic governance at the local level.<sup>10</sup> A television program informing people about their legal rights and remedies quickly became the most popular show aired in Armenia, as reported by the World Bank (2005: 157). Providing newspapers and building libraries in rural schools should further help reduce persistent information gaps, along with career counseling centers and education at school about democratic rights and responsibilities. Regular radio or television programs – “How to become a nurse” (or a physician or mechanic or software engineer) – can also help considerably.

Individuals who have suffered themselves from the non-availability of useful information are quick to realize the critical importance of information provi-

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<sup>9</sup> I am supporting an effort to put together a how-to manual in a group of villages of north India where I work frequently. Compiled from the experiences of village youth who have made it to better-paying positions, this manual would demonstrate to other village youth in a step-by-step fashion how they, too, could attain a similar position if they tried.

<sup>10</sup> A.P. Kripa and G.S. Ganesh Prasad, “The Message of Panchayati Raj”, *Frontline*, April 15-28, 2000.

sion. Here, for example, is what one young software engineer hailing from rural area told me.

*Question: Suppose you had a pot of money, and you wished to help kids in rural areas. What is the first thing that you would do?*

*Answer: "I don't need [much] money for doing this. I would just give information to the people: this is what you need. I need to create the balance, the urge to become whatever they want to become. [You] just have to make it visible to them – what they can achieve if they take this approach – and confidence that they themselves could do it. I have to sell that concept to them. That would be enough."<sup>11</sup>*

Promoting upward mobility is important for resolving the persistence of poverty in particular communities. It cannot remain the case that only a small proportion of the population – only four to seven percent of all Indians, for example – continue having exclusive access to better-paying jobs. "Because talent and ideas are widely distributed in the population, a prosperous modern society requires the mass of people to have incentives [and access] – and a state that can and will provide key complementary inputs and public goods" (World Bank, 2006: 124). Information is clearly a key complementary input and an important public good. Communities who feel confident about future prospects for their children will also gain in their ability to hold state officials to account.

Technology can help in improving the provision of information, but it should not be seen as a cure-all remedy. Providing computers to public schools in poor communities is potentially a good idea, but building in systems for training, maintenance and regular upgrading is an essential (and often ignored) part of this solution. Providing pre-formatted packages of computerized information is not a sufficient goal; enabling residents of poor communities to search independently for the information that they need is much more helpful.

Information needs are varied and they change over time. No individual or organization can decide on behalf of someone else what kinds of information he or she should have. Over the long haul, technology-based solutions will undoubtedly prevail; poor communities cannot be kept away from worldwide information flows for too much longer. But to think of computers as an immediate quick-fix, and to hurry through implementing these solutions in some slipshod manner, can very well diminish the efficacy of this response.

Poor communities and poor households will benefit when better information becomes available to them. Policy makers will also be assisted by better information. In different ways, information contributes to empowering poor communities. Better – and fuller – information also helps policy makers respond to poor people's needs. Bringing information within the fold of essential services is important. Information of different types – about rights and responsibilities, programs and prospects, health and hygiene, about avenues for redressing grievances and lodging complaints, about careers and career planning – is very important to provide. Democracy will be widened and deepened, and prospects for poverty reduction and empowerment will be considerably improved.

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<sup>11</sup> Interview with Padmanabha Naidu, Bangalore, December 21, 2005.

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### 3. Democratic Politics and Pro-Poor Social Services: Unpacking the Concept of “Reform”

*Joan M. Nelson*

#### *Introduction*

This paper seeks to deepen our understanding of the politics of improved education and health services for the poor, by unpacking the concept of “reform” and exploring the varied political challenges of different categories of reform. The discussion is based mainly on evidence from Latin America, but much of the argument is probably relevant in other regions.

In the early 1990s, improving economic conditions and (re)democratization in much of Latin America prompted hope for rapid progress in reducing inequality and poverty. More specifically, less stringent fiscal constraints and stronger electoral incentives were expected to encourage improved education and health services. Fifteen years on, social service budgets and coverage have indeed increased. But despite improvements in some countries and certain respects, poor quality and egregious inefficiencies persist, and bear particularly harshly on the poor. More broadly, poverty remains widespread and inequality may have worsened. There is rising malaise in much of the region regarding the performance of (more or less) democratic governments.

Theory argues that democracies should do better than authoritarian regimes in providing broad-based, high-quality social services. Some two dozen cross-national quantitative studies conducted since the late 1990s do indeed show correlations between indices of democracy and *expenditures* on social services and transfers. However, links between democracy and social *outcomes* are much weaker and less consistent. Better outcomes depend not only on increased spending, but on reallocation of resources and improved institutional incentives and competence—that is, on reforms. A wide range of case and comparative studies, opinion surveys, and other evidence suggest that the effects of democracy on reform are far more complex, contingent, and variable than its impact on spending.<sup>1</sup> Electoral pressures are only one among several sets of causal factors at work.

Reform is often discussed as if it was a coherent entity. In reality, reform is an umbrella label for a range of diverse actions, having in common only the *intent* to increase equity, quality, and/or efficiency of service provision. Different kinds of reforms present different political challenges. They arouse different interests and generate different alliances. They engage ideologies and principles in varying degrees. Some reforms are based on long experience and strong expert consensus about what really improves performance; other categories reflect current conventional wisdom, but only flimsy empirical evidence of what works.

This paper explores the politics of three categories of reforms: reallocation

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<sup>1</sup> For references and fuller discussion of these points, see Nelson, 2005.

of resources to reach more of the poor, to broaden the services available to them, and to strengthen demand; measures directed to improving providers' performance (for all clients, but especially for the less advantaged); and broader changes in sector governance to increase efficiency and responsiveness. Several caveats are in order. These categories are somewhat arbitrary, and boundaries between them blur. Others might suggest different classifications. Nor is the list intended to encompass all kinds of reform measures. While the analysis deals with the three categories separately, actual reform packages often combine expansion, incentives for improved provider performance, and/or changes in governance. Despite the caveats, unpacking the concept of reform permits a clearer understanding of the political challenges, and may suggest some implications for reformers.

The discussion does not deal with improvements in technical standards, procedures, or program content such as revised curricula, modified teaching methods, improved testing, or changes in medical protocols. Such changes can of course greatly improve education and health care. They can be controversial within each sector. But they rarely generate broader political conflict.<sup>2</sup>

### *Broadening coverage, scope and demand*

Efforts to reduce inequities in service provision traditionally focused on enlarged supply, expanding the number of schools, clinics, and hospitals in under-served areas. In the health sector, broadened insurance coverage is an additional theme, ranging from the complex institutional arrangements introduced in Colombia in 1993 to community-based risk-pooling in some African countries.

As most of the population in a country gains access to basic facilities, attention shifts to broadening the scope of services. In education, an example of enhanced scope is the rapid spread of pre-kindergarten programs. In health, Costa Rica's EBAIS clinics<sup>3</sup>, launched in the mid 1990s, illustrate the point. Services previously split between two agencies were merged. Expanded teams included dental, pharmaceutical and other specialists, and were introduced first in the poorest districts (Clark, 2004: 201).

A third option to better serve the poor is strengthening demand by reducing user costs – for instance, abolishing fees and co-payments. Thailand recently introduced health services cards for poor rural citizens, authorizing extremely inexpensive health care. Conditional cash transfers (CCTs) also aim at strengthening demand. *Progres*a now provides cash payments to more than 5 million Mexican households contingent on their keeping their children in school and attending local health clinics regularly. In Brazil, a similar program reaches more than 7.5 million households. Sixteen additional countries in and beyond Latin America are introducing the approach.

### **The politics of expanding coverage, scope and demand**

It is not news that expanding services is popular. Increased access to facilities

<sup>2</sup> There are exceptions: for instance, attempts to modernize Mexican text books in the mid 1990s triggered strong nationalist reactions.

<sup>3</sup> Equipos Básicos de Atención Integral de Salud (Basic Teams for Comprehensive Health Care).

and insurance, broadened scope of services, and subsidies to encourage demand please beneficiaries, providers<sup>4</sup>, politicians, and contractors. In Brazil, Workers' Party and Social Democratic politicians competed vigorously to promote municipal CCT programs and later to increase benefits through the national program (Melo, 2004: 21-22). In several sub-Saharan African countries, newly competitive presidential elections in the mid 1990s prompted promises of free primary education (Stasavage, 2005).

Political conflicts over expansion and enhancement focus not on inherent desirability, but on the allocation and reallocation of resources, that is, over who pays, and which uses of public funds shall have priority among and within sectors. Ministries of finance and economy – officials responsible for over-all macroeconomic balance and stability – are often the main opponents of expanding social programs. On-going struggles between these officials and the ministers of education and health (and almost everything else) are a common feature of cabinet politics virtually everywhere. As revenues rise, conflict eases; expenditures on social services increased both in absolute terms and relative to total budgets in most Latin American countries in the 1990s.

More sector resources, of course, do not guarantee more pro-poor outlays. Even – perhaps especially – in democracies, pro-poor reallocation of resources across levels of service and among regions may be particularly difficult politically. In contrast to most other public services and facilities, middle class demand for more and better education and health services is virtually unlimited. Middle-class households, neighborhoods and communities want reliable supplies of water, electricity, and garbage collection. However, once these services have reached a certain level, they are no longer a focus of citizen attention. In contrast, if places in primary school are virtually guaranteed, attention shifts to secondary school, and then to the university level, along with pressure for better equipment, teachers and facilities. The pattern is probably still more marked with regard to health services. As a result, within the education and health sectors, efforts to reallocate resources to favor the poor must always compete with pressures from the better-off.

This fundamental problem of ever-growing middle-class demand for education and health services is exacerbated by a pattern shared with other public services: marginal unit costs rise as programs try to reach the geographically or socially isolated poor. The character of budget processes also deters reallocation of resources. Rules of procedure seldom encourage a comprehensive vision of budget priorities among or within sectors. Specific budget decisions are more often the product of piecemeal pressures, compromises and log-rolling. Middle and upper-middle class groups are generally much better represented and influential in such decision-making than are representatives of, or advocates for, poorer groups. Budget politics within bureaucracies also shape allocation. Those departments within ministries with strong ties to influential constituencies are likely to dominate.

None of these points is surprising. Taken jointly, however, they delineate important aspects of the politics of social service resource allocation. Since the

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<sup>4</sup> However, many teachers and health professionals resist assignment to facilities serving poor rural areas or urban neighborhoods.



patterns described are fairly universal, the interesting questions concern the contexts and strategies reformers utilize to shift allocation in favor of the poor.

### **Contexts and strategies for promoting pro-poor allocation of resources**

Some contexts and political features promote not only more equitable resource allocation, but also the kinds of reforms discussed later in this paper, affecting incentives and/or governance.

First, and despite the obstacles sketched above, committed leaders can invoke the principle of equity to win acceptance of some reallocation. It is widely accepted that education and health are public goods as well as private benefits, and that governments have a responsibility to ensure that all citizens receive at least basic levels of service. Colombia's 1993 health sector reforms created a new, subsidized health insurance program for poorer citizens. That program is partly funded by the Solidarity Fund, a 1 percent increase in social security taxes on formal sector workers and employers. More generally, almost all decentralized systems include provisions for subsidizing poorer geographic districts.<sup>5</sup>

If there is often some political scope for pro-poor allocation, the obvious question is what motivates pro-poor commitment. The question is an old one, and serious discussion goes beyond the scope of this paper. In summary form: Leaders' and major party *ideologies* are important. Recent cross-national quantitative research shows the strength of left-leaning political parties correlates strongly with levels of spending on education and health, and grows with longer democratic experience (Huber et al., 2004). *Concerns about instability in poor regions* can also spur pro-poor programs, as in Northeast Brazil; Northeast Thailand; Chiapas; rural areas of Indonesia. *External threats* sometimes instigate government efforts to reach out to groups thought to be prone to defection. *Tight electoral contests* are likely to prompt promises targeting the poor, especially if some among the poor are organized and vocal.

Ideology, security concerns and/or electoral pressures occasionally combine, in varying degrees, to promote major changes in the aftermath of regime change, war, or other crises. Such crises weaken vested interests, engage new actors, and alter perceived priorities. Constituent assemblies writing new constitutions in Brazil in 1988 and Colombia in 1991 were clear examples of "moments of special politics". Both assemblies represented groups somewhat different from national legislatures, and both sought to address long-standing inequities. Chile during the first months and years after Pinochet was forced out, offers an equally clear and explicit moment of special politics, as did South Africa after apartheid was dismantled in 1994.

Reformers cannot engineer such moments, but they can be prepared to exploit them when they occur. In Brazil from the 1970s, a network evolved of officials and analysts committed to more equitable health policies. This network, known as the *Sanitaristas*, seized the opportunity offered by the Constituent Assembly of 1988 to gain a constitutional mandate for a universal health service organized on new principles.

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<sup>5</sup> Such subsidies are seldom large enough to counterbalance the ability of wealthier districts to raise local revenues; therefore, the gap between wealthier and poorer states and cities generally widens as a result of decentralization.

Even in more normal times, links to goals broader or more urgent than improved education or health sector performance can increase the priority of reforms, including pro-poor components. Colombia's 1993 health sector reform is a clear example of such linkage. The Gaviria government (1990-1994) sought to deepen domestic capital markets, as part of a broader agenda of economic reforms. To this end, it sought pension reform along Chilean lines. Key legislators refused to approve pension reform unless the second major element of the social security system, public health insurance, was greatly broadened. The 1991 constitution had mandated health sector reforms, but the government had not been able to agree on the best model of reform, until linkage with the high-priority pension issue (and changes in government personnel) prompted plans for a sweeping overhaul of health sector institutions and finance with the goal of providing universal coverage.

As noted earlier, rising revenues clearly facilitate increased funding for expanded coverage, scope, and demand subsidies. A strong fiscal position reduces the motivation for top macro-economic officials to resist increases, diminishes their influence relative to spending ministries, and eases competition for funding among and within sectors.

Changes in the budget *process* may also encourage pro-poor allocations. The most obvious example is the introduction of participatory budgeting in dozens of cities in Brazil and in the Indian state of Kerala. These experiments have been in place only a few years. Research assessing their effects, including pro-poor impact, suggests wide variation reflecting local political traditions and configurations (Avritzer, 2006).

Program design also affects the politics of launching and sustaining pro-poor programs. A substantial literature and much experience argue that broad targeting is more politically sustainable than narrow targeting (Nelson, 2003). But some targeted purposes and groups are more politically appealing than others. Poor children are a more appealing target than the poor in general. Outside of the context of disaster relief, support for investment by the poor and measures that require self-help efforts (like CCTs) may win wider approval than support for consumption.

Budget allocations are only the first step in a long process of implementation. Funds allocated to pro-poor activities are often diverted to different uses, including outright corruption. Fairly simple measures to track and tighten financial transfers, such as Uganda's well-known decision to post the sums allocated to each public school, may offer as much or more potential for increased funding of pro-poor programs as efforts to influence priorities and choices earlier in the budget process.

### *Incentives for improved provider performance*

A second broad category of reform measures focuses not on reaching the poor, but on improving the caliber and responsiveness of service providers' efforts. Quality and efficiency in education and health care services depend crucially on the motivation and capacity of teachers in the classroom and doctors and nurses in the examination room. Motivation and capacity are often particularly weak

in schools, clinics and hospitals serving predominantly poor clients. Indeed, inadequate performance not infrequently shades into outright malfeasance: teachers and doctors keep short hours or entirely fail to show up at their jobs; scarce medical supplies are further depleted by pilfering; doctors and teachers demand bribes for preferential treatment (Lewis, 2005).

Underlying these problems are often inadequate training, low salaries, interference in appointments and promotions by unions and political parties, and demoralizing working conditions. In other words, service providers themselves are often not “to blame” for weak capacity and motivation – but those characteristics nonetheless are a major cause of poor performance. Navarro observes that where mass education has been introduced only in the current generation, much of the rapidly expanded teacher corps has had little opportunity to absorb a “professional culture”. (Navarro, 2002, and personal communication, March 24, 2006).

Disadvantaged students and patients often present special challenges to service providers, exacerbating weak delivery. Students from poor rural backgrounds or those whose parents have very little education enter school less well prepared to learn basic academic skills, and may need different teaching approaches and materials in order to learn well. Similarly, where curative and preventive health care depends on patient co-operation and even changes in lifestyle, poor clients (particularly indigenous minorities) may need advice and suggestions tuned to their backgrounds and life settings.

Reforms intended to improve performance fall into three sub-sets: increased inputs to strengthen capacity and motivation; measures directly linking performance to rewards; and indirect links between performance and rewards via redesigned financing arrangements and increased competition.

### **Increasing inputs focused on providers**

*Pay increases* are the most obvious kind of increased input to motivate service providers. Chile in the 1990s offers a particularly explicit and clearcut example of a motivational pay increase, and unusually explicit arrangements to finance the measure. Under Pinochet, teachers’ pay had declined by 20-40 percent, their union had been seriously undermined and central salary negotiations eliminated, and earlier guarantees of tenure and other protections had been revoked (Delannoy, 2000: 20-21). After democracy returned, pay levels were restored and raised, along with other measures largely reversing the labor policies of the Pinochet era. The broader political context was widespread consensus on the need to address the “social deficit” accumulated under Pinochet.<sup>6</sup>

It is reasonable to believe that higher pay might improve morale, and attract more motivated and qualified people in the longer run. But there is no guarantee nor much evidence that better pay automatically induces better performance. In Colombia, for instance, teachers’ salaries increased substantially in the second half of the 1990s, yet national tests of students finishing secondary school showed a 20 percent drop in results between 1993 and 1998 (Lowden, 2004: 364).

<sup>6</sup> Pay increases are often adopted not as a means to motivate better performance but as sweeteners to win acceptance of other measures service providers dislike, including governance reforms.

*Pre- and in-service training* is probably the most widely supported means to improve service providers' performance.<sup>7</sup> However, such training rarely focuses on the special problems of motivating and communicating with poor and minority students or patients. More broadly, in much of Latin America the quality of training itself is poor. Training institutes can become political patronage: in Argentina and Peru, politicians pressed to establish institutes in hundreds of towns. Assessments show little or no improvement in quality resulting from in-service training (Navarro, 2002; Vegas and Umansky, 2005).

*Targeted stronger supervision and technical support* in principle could have a major impact. In the early 1990s, Chile launched programs to improve quality and equity in rural primary schools, combining increased inputs (buildings, supplies, lunches) with intensive supervision and support. Small rural schools were grouped in clusters; multi-grade teachers in those schools met twice a month to receive training, discuss problems and share solutions. Teachers in schools serving the poorest 10 percent of the primary school population met weekly in two-hour workshops, with external technical support, to diagnose problems and discuss remedies. Related programs targeted secondary and urban schools in poor areas (Delannoy, 2000: 16-19).

The politics of increased inputs focused on providers' incentives and capacity is broadly similar to the politics of added inputs to expand coverage and scope of services. Dispute does not focus on principles or general desirability, but on budget priorities. But unlike most conflict regarding expansion, unions may well take direct action regarding salaries; their demonstrations or strikes can close down a system.

### **Direct performance-based rewards and penalties**

In contrast to increased inputs, whether directed to reaching the poor or improving providers' incentives, reforms that link rewards and penalties to individual or collective providers' performance are extremely controversial.

The most obvious and simplest way to link rewards and sanctions to providers' performance is through individual *time-limited contracts*, with renewal, promotion, favorable transfer, and pay raises contingent on satisfactory performance reviews. Such arrangements fundamentally challenge the characteristics of public education and health sector personnel systems in most Latin American countries, including guaranteed tenure, promotion based on seniority or political contacts, and tight restrictions on transfers or other administrative discretion. Even small changes in these arrangements are often adamantly resisted.

In this context, Peru's introduction of performance contracts for staff of primary health care clinics in the mid 1990s is exceptional – and instructive. Staff in two major categories of clinics was put on performance contracts, with renewal based on annual reviews. The change was feasible because the economic and political disruptions of the late 1980s and early 1990s had virtually destroyed the traditional clinic system; radical changes in labor relations laws and a shift from

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<sup>7</sup> Indeed, Navarro states that many education improvement programs avoid components dealing directly with teachers, because they are politically and ideologically charged; the exception, however, is investment in teaching training (Navarro, 2000: 3).

sector-level to firm level bargaining greatly weakened the Ministry of Health union; and a large pool of unemployed young health professionals were seeking jobs (Ewig, 2004: 232-233).

Unlike performance contracts, *merit pay* rewards good performers without imposing penalties on the less good. But merit pay for individual workers tends to erode the cooperation among staff needed in successful schools and clinics. Literally thousands of U.S. school districts have adopted merit pay for teachers over the past century; almost all dropped the system in less than five years (Murnane and Cohen, 1986).

Collective awards for excellent schools or clinics encourage collaboration, but can perversely strengthen incentives to avoid assignment to difficult schools or clinics. Since 1996, Chile has used collective rewards to encourage performance in schools serving disadvantaged children. Schools are rated annually, using an elaborate scoring system, and compete for awards against other schools with similar geographic and socioeconomic characteristics. In 1998, awards were worth a bit less than one month's payroll, 90 percent shared by the entire school staff with the remainder to be used at the school director's discretion. A fair number of schools, representing up to 25 percent of enrollments, win awards (Delannoy, 2000).<sup>8</sup> Despite careful design, recent assessment suggests very modest observable impact from this program (Vegas and Umansky, 2005).

### **Indirect links between reward and performance: new approaches to finance and competition**

A less direct approach to strengthening incentives for efficient and responsive social services is change in funding systems so that money follows clients. Most public schools, clinics and hospitals in Latin America are mainly funded by annual budgets, based largely on the previous year's expenditures. In contrast, voucher systems, charter schools, and capitation and related payment systems for clinics and hospitals reimburse providers on the basis of services actually provided. In areas where parents have a choice of schools and patients have a choice of care providers, these payment systems are intended to motivate providers to try to attract clients by offering quality services. Advocates of this approach argue it broadens consumers' choices and stimulates better performance by providers.

The sole nation-wide experiment with school vouchers in Latin America was introduced in Chile in 1980, under Pinochet. Chile had a strong tradition of private schools; the voucher system sharply expanded private school enrollment. The effects have been intensively analyzed. Yet experts passionately disagree on the results – a striking demonstration of the difficulty of assessing education sector outcomes even where data are unusually good. Studies during the 1990s generally confirm that private subsidized (voucher) schools performed better than municipal schools, controlling for student backgrounds (Fiszbein, 2005: 31-32).

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<sup>8</sup> The recent U.S. No Child Left Behind Act emphasizes collective sanctions rather than rewards. As is well-known, NCLB has provoked widespread bitter opposition, as well as intense debate and disagreement among education experts regarding its intended and unintended effects.

However, most analyses conclude that the voucher system did not improve education for most poor children. Those in rural areas often had no alternative to the sole public school serving the area. In urban areas where students and their parents have more choice, many poor parents did not shift their children out of mediocre (or worse) public schools, whether through lack of interest, poor information, or perhaps concern about an unwelcoming ambiance in private schools. There is little evidence that competition from the private schools has had a positive impact on the public schools.

### **The politics of increased competition**

It hardly needs saying that voucher systems and charter schools generate heated political struggles. Unlike merit awards, reforms that let funding follow students reduce bureaucratic and political control over the allocation of resources and personnel. Teachers, their unions and public education bureaucracies view such systems as direct threats to their interests. They and much of the public also oppose such systems on principle, arguing that education serves vital public interests of building citizenship and integrating society, over and above the teaching of academic skills. They view voucher systems as divisive, and fear they will cream the best students or those with the most involved parents, leaving public schools to struggle with the less advantaged and motivated.

Linking funding to performance provokes as much or more hostility in the health sector as in education. As discussed below, revised funding arrangements are often coupled with increased autonomy for clinics and hospitals. In such cases, “money follows patients” is intended both to induce better quality and more efficient service, and as an accountability mechanism. In Colombia’s radical 1993 health sector reforms, a whole new set of entities was created, to enroll citizens in the expanded national health insurance system and reimburse clinics and hospitals for services to their enrollees. The new insurance entities were to compete for participants and to pressure providers to provide better and/or less costly services.

Colombia’s new system of funding was approved in part because it was bundled with dramatic expansion of health insurance coverage. The entire health reform package was also combined with still more controversial pension reform proposals, which diverted much of the legislature’s attention. The bill was complex; although the Ministry of Health conducted a vigorous campaign to explain its contents, it seems likely that some important interest groups (including doctors’ associations) did not fully grasp its implications. Implementation has been slow and difficult. Doctors complained about new pressures for efficiency, and the media spotlighted financial difficulties of some hospitals. As of 2001, more than half of funds for public hospitals still were budgeted in advance, rather than flowing in response to services provided (Ramirez, 2004: 137-148).

In both education and health, “money follows clients” financing systems are resisted not only by providers, but also by bureaucrats and politicians who stand to lose control over resources and personnel. Such measures are almost always introduced by technocrats. To survive in democratic systems, they need sustained backing from top level political leaders. Since such measures predictably prompt strong opposition with little countervailing popular support, high-le-

vel backing in democratic settings usually reflects linkage with higher priority goals.

### *Broader changes in governance*

In contrast to measures to better reach the poor or to motivate providers, *governance reforms shift the allocation of authority and responsibility for social service delivery*. While measures to reach the poor focus on equity, and efforts to motivate and capacitate providers are mainly concerned with quality, governance reforms usually seek a mixture of equity, quality and efficiency objectives. Improved service for the poor is rarely the main motive for major governance reforms, but to varying degrees such reforms do have pro-poor potential.

In Latin America since the early 1990s, four approaches to improved governance have been pursued. Decentralization of responsibility and authority for social service delivery to sub-national governments is most widespread and has the broadest implications. Increased autonomy for schools and/or hospitals and clinics has been authorized in several countries but energetically pursued in few. Increased oversight of service delivery by users and communities is a third approach, again authorized or mandated in many places but actively utilized in few. A fourth approach transfers substantial responsibility for delivery of services to non-governmental organizations (NGOs). These four approaches are not alternatives to each other: they can be adopted separately or in combinations. Each raises different political challenges.

### **Decentralization**

Decentralization of social services has been a powerful trend in and beyond Latin America. However, it has mainly been a by-product of broader governance objectives including deepened democracy, heightened efficiency, and in some cases reduced reliance on central funding. Perhaps because decentralization is so often driven by forces and objectives larger than the education or health sectors, the process has often been hasty and poorly prepared, without adequate attention to financial, legal and regulatory details at the sector level and with little preparation or capacity-building in state and local governments. The actual impact of decentralization on service provision, in general and for the poor more specifically, varies tremendously among and within countries.

Decentralization's potential for bringing government operations closer to those served prompts support in principle from both left (seeking responsiveness) and right (seeking efficiency). But stakeholders within the education and health sectors are often skeptical or hostile to decentralization. In traditionally centralized systems, national providers' unions fear dilution of their power, and prefer to negotiate with a single central authority rather than multiple state and local governments. So may major contractors in some cases: private hospital associations accustomed to dealing with the national Social Security administration were among the most intense opponents of decentralization in Brazil's constitutionally mandated health sector reforms. Teachers and health workers worry that pay and personnel policies vary among states and municipalities, and often fall short of federal standards. National ministries and agencies are

reluctant to cede authority to sub-national units. Less obviously, state and local officials in education and health departments often are not enthusiastic about increased authority and responsibility. They fear the national government will not transfer adequate funds in a timely manner, and they are reluctant to deal directly with feisty teachers' and health workers' unions. In the late 1980s, Venezuela adopted a decentralization program that permitted but did not require state governments to assume responsibility for education and/or health care delivery. Few states opted to take formal responsibility for either sector, though many launched some initiatives (Navarro, 2000: 209).

Decentralization does not eliminate the politics of reform: it simply shifts much of the politics to the state or local level. State and local politicians, like their national counterparts, face similar obstacles and have only weak incentives to pursue reforms that alter institutions or link rewards more closely to performance. However, education and health usually consume much larger parts of state and local than national budgets. Therefore, governors and mayors may pay more attention to these sectors, both as potential sources for winning support and as important determinants of fiscal balance or imbalance. Political parties and citizens' groups are also more likely to mobilize around problems of social service delivery at the local than the national level. Many of the most interesting innovations in social services have been introduced at the level of states or cities. The Brazilian state of Ceara introduced changes in monitoring health care delivery, now imitated elsewhere in Brazil. Minas Gerais and several other Brazilian states promoted major education reforms, as have San Luis in Argentina and Bogota, Colombia. Participatory budgeting in Brazil is the product of municipal initiatives.

Local leaders' values and commitment, the local party system, and social and economic structure and traditions shape the priority placed on pro-poor measures and on better social services in general. The central government may also influence pro-poor efforts at provincial and local levels, if central authorities themselves give this goal high priority. Central ministries have important roles even in highly decentralized systems: they must manage financial transfers in timely and predictable manner, develop ways to subsidize poorer districts to counteract intrinsic tendencies for gaps to widen, develop and assess standards and collect and analyze data. Beyond these basic functions, they can encourage reforms through information, networking and clearing-house activities, and contingent funding. Despite highly decentralized education and health sectors in Brazil, the federal Ministries of Health and Education have effectively used contingent transfers to press state and local governments to encourage preventive public health programs and efforts by municipal schools to enroll more students (Arretche, 2004; Draibe, 2004).

### **Increased autonomy for schools and hospitals**

A second widely discussed, but much less often adopted governance reform is increased autonomy for service units (schools, hospitals, and clinics). Traditionally, in most of the region, such units have little independence of action. Hiring and promotion of staff, curriculum and teaching methods or medical protocols, and even minor decisions such as schedules or purchase of routine supplies are



managed by the national ministry or state or municipal department. Advocates for autonomy argue it will increase efficiency, strengthen staff incentives, and encourage responsiveness to local needs and conditions.

One would expect directors and managers of operating units to welcome increased independence. However, autonomy implies a corresponding need for strengthened accountability mechanisms. Therefore increased autonomy is often introduced in conjunction with changes in the funding process (in the health sector, performance contracts, capitation payments or other versions of “funding follows patients”), and/or a considerably larger oversight role for communities and clients. As already discussed, “funding follows clients” arrangements are usually unpopular with providers. As the next sub-section discusses, they also tend to dislike client or community participation and empowerment.

Staff-level providers – teachers, nurses, doctors, and ancillary personnel – have different reasons to be wary of increased autonomy. Their salaries, working conditions, and perquisites are usually determined in negotiations at the national, state or municipal level. They are reluctant to see any significant increase in the authority of school or hospital administrators even for limited purposes such as reassigning shifts.

Education and health bureaucracies, at national or sub-national levels, predictably are also unenthusiastic about ceding authority to operating units. In Argentina, national legislation passed in 1993 provided a framework enabling hospitals to convert to self-managed status. But most hospitals were under the control of provincial and municipal governments. Implementation of the reform varied, but most provincial and municipal authorities were reluctant to give up power, especially control over personnel – a key source of patronage. In some provinces, staffing accounted for virtually the entire health budget. Even though the great majority of public hospitals had officially converted to self-managing units by 1999, in many cases their actual autonomy increased very little (Lloyd-Sherlock, 2004). Somewhat similarly, in Costa Rica a hospital autonomy reform linked to performance contracts made very slow progress (Clark, 2004: 207).

It is easier to find cases of successful large-scale autonomy initiatives, including substantial control over personnel matters, in education than in health care. Autonomous primary school programs were adopted in Nicaragua after the defeat of the Sandinistas in 1990, in El Salvador after the end of the civil war, in the Brazilian state of Minas Gerais in the early 1990s, and in the Argentine province of San Luis, among others. Central and provincial education bureaucracies presumably are no more eager to give up authority than their health counterparts. But the Nicaraguan and Salvadoran cases were driven in part by political considerations created by the broader circumstances. In El Salvador, traditional rural schools had largely disappeared during the war, and spontaneous community participation was already playing an important role in recreating primary schools. In Nicaragua, the new government, and specifically the new Minister of Education, was eager to establish a counterweight to the influence of leftist teachers’ unions in the schools (Gershberg, 2004: 419-420).

One can speculate that teachers and principals are more open to increased school autonomy than are medical staffs to clinic and hospital autonomy, because the accountability mechanisms associated with school autonomy are less

threatening. Principals can often guide and limit parents' and community participation. Hospital directors have less control over capitation and related funding changes used to strengthen clinic and hospital accountability.

### **Community and client participation**

In principle, strengthened client voice in management and oversight of schools, clinics and hospitals is one of the most widely accepted reforms in the health and especially the education sectors during the 1990s, perhaps second only to decentralization. Proponents of client and community participation believe it can promote a battery of desirable objectives. Some of these, such as fitting services more accurately to local conditions and recipient demands, overlap with goals of school or hospital autonomy. Beyond local adaptation, participation may improve parents' and communities' understanding and knowledge about education and health services, encourage them to contribute time and money or labor to support local facilities, and promote accountability and better performance by directors and staffs. Participation in school or clinic or higher-level councils can also lead to more vigorous and better-informed pressure on bureaucrats, legislators, and political leaders at all levels to improve sector performance (Gershberg, 2004: 429; World Bank, 2004, Ch. 4 and 5). Unlike most other reform approaches, increased participation costs little, although some funding is needed to establish the information systems that can help citizen councils be effective.

Liberal forces and international aid organizations have enthusiastically pressed for increased participation. Many Latin American countries have adopted legislation authorizing or requiring school and/or clinic and hospital councils, and often also citizen advisory councils at the municipal, state and national levels. Parent and community councils with substantial authority are important components of the autonomous school reforms in El Salvador, Nicaragua, Minas Gerais (Brazil) and San Luis (Argentina). In Nicaragua, for example, councils have power to hire and fire the school principal, recruit and hire teachers (with some restrictions), augment teacher pay scales, develop school improvement plans, and allocate non-personnel budgets (Gershberg, 2004: Table 14.5, 430).

However, in many places, school councils exist on paper only, or not at all. Others focus on raising money. Some may well deter gross malfeasance or incompetence by complaining about absentee teachers or late delivery of texts. But most parents (especially the poor and little educated) find it difficult to assess the quality of their children's education. In Mexico, 85 percent of parents in a nationally representative sample were satisfied with their children's schools, perhaps largely because their children had much better access than they themselves had enjoyed (Navarro, 2005: 11). In the Brazilian state of Parana, a reformist secretary of education energetically promoted parents' councils, and sought to empower them by developing data-based "school report cards" that scored schools on a number of easy-to-understand criteria. After several years, only a little progress had been made in overcoming parents' diffidence (Saliba, 2005). School councils are potentially useful oversight mechanisms, but they are not a quick or easy fix. Nor are they always sustainable. In Minas Gerais in the 1990s, parents' councils were established with substantial power, inclu-

ding authority to hire (from a pre-screened short list) and fire school directors. When the governor who had championed this reform left office, his patronage-oriented successor reversed many of the changes.

Citizen councils in the health sector are less widespread and may well be less effective on average than school councils. Ordinary people are likely to feel even less competent to assess clinic or hospital performance than school performance, and clinic and hospital directors are probably still more intensely opposed to what they view as lay interference in management. Moreover, school councils represent a set of concerned parents renewed each year as new cohorts of children move through the schools. There is no analogous self-renewing pool of interested users for clinics and hospitals. In 1998, as part of a push towards increased hospital and clinic autonomy, Costa Rica mandated community health councils for each of the hospitals and larger clinics in the country. Council members are elected for two year terms, and have substantial responsibilities including overseeing budget execution, drafting performance contracts, and selecting directors. But at least in initial years, surveys indicate that three-quarters of the councils played little role in administration of their hospitals or clinics. The biggest obstacle they faced was refusal of the local health authorities to cooperate (Clark, 2004: 208-209).

Colombia's complex health sector reform of 1993 established citizen councils from local to national level; these have mostly exercised little initiative. The CLAS clinics<sup>9</sup> of Peru are a striking exception to the pattern of ineffective user participation in the health sector. Launched in 1994 on a pilot basis, the system spread gradually at the discretion of regional health authorities. Although seriously threatened in the late 1990s (Ewig, 2004: 234, 237), by 2006 CLAS councils co-managed 35 percent of all primary health facilities (Altobelli, 2006).

Are citizen councils effective pro-poor advocates? Where clients are mainly poor, councils could be powerful instruments for more pro-poor service. In more mixed communities or neighborhoods, experience suggests that councils are likely to be dominated by the somewhat better-off. To the extent that interests of the not-so-poor diverge from their poor neighbors' concerns, the councils will be less effective pro-poor advocates, though they may improve the over-all quality of service (and thereby also benefit the poor).

### **Shifting service delivery to non-governmental providers**

A fourth governance reform is a partial shift of responsibility from the public sector to private for-profit or not-for-profit (NGO, church) entities. Where delivery has long been mainly through public facilities, major privatization of schools or hospitals would provoke a political firestorm, fueled by widespread hostility to the idea of the state's abandoning its responsibilities and intense resistance by providers' unions. In Latin America, unions have also blocked more partial privatization efforts, such as contracting out ancillary services like cleaning or maintenance.

Less controversial and more common are small (and some not-so-small) experiments using NGOs to deliver education or health services to poor and geo-

<sup>9</sup> Comités Locales de Administración en Salud (Local Health Administration Committees).

graphically isolated or otherwise hard-to-reach groups. El Salvador, Honduras, and Panama contract with NGOs to provide health care coverage in specified areas, often to indigenous populations. The NGOs usually provide a network of itinerant teams, often supplemented by community-based paramedics. The approach was introduced first and has expanded most in Guatemala, which now contracts with about 90 NGOs providing service to over three million people, about 30 percent of the national population (Fiszbein, 2005: 24). In education, *Fe y Alegria* schools operate in fourteen countries in the region, and serve roughly a million students.

Such programs can provide important supplements or temporary substitutes to adequate public services for poor people. They are sometimes criticized as diluting the principle of state responsibility for basic services. But they are seldom so extensive as to suggest a basic restructuring of sector governance, which would arouse strong opposition, nor have they generated major budget battles. By the same token, however, they cannot replace good public services – leading us back to the question of how to improve performance by public providers.

### *Summing up*

Expanding the scope and coverage of social services has long been recognized as much easier, in political terms, than institutional reforms. This paper tries to probe more deeply into the varied politics of different kinds of social service reforms, both those that are explicitly pro-poor and broader changes that potentially can benefit the poor.

Regarding increased coverage and scope: the challenge is to raise the bargaining power of the poor or their advocates, relative to middle class pressures on budget allocations. Possible strategies include: changing perceived priorities by publicizing data on inequality; bundling targeted pro-poor programs with broader expansion; participatory budgeting or other changes in budget procedures; targeting broadly enough so that beneficiaries become a political constituency (as with CCTs).

Like higher spending, changes in governance are not automatically pro-poor. The challenge is to include pro-poor features. Decentralized service delivery is more likely to be pro-poor if national governments find ways to make central funding partially contingent on poor-poor measures. Increased autonomy for schools or hospitals can become pro-poor if linked to effective user oversight. However, low-income users often need technical aid and support to exercise oversight effectively.

Reforms designed to link providers' incentives to better performance have proved extremely difficult to adopt and implement, and with rare exceptions have had limited impact. Yet providers' performance is crucial to better quality. The issue is so intensely political, and political circumstances vary so widely, that seeking "best practice" may be futile. Sustained political commitment plus imagination, informed by knowledge of good and bad local and international experiences, may be as much of a "formula" as is possible on this topic.

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## 4. Seeing and Believing: Political Obstacles to Better Service Delivery

*Philip Keefer*

### *Introduction*

Governments in most developing countries are poor providers of social services ranging from education to health. Poverty itself has been blamed for this, to the extent that the poor have a low demand for high quality social services or that poor country governments lack capacity to provide them. If poverty itself explains service delivery failures, financial assistance to developing countries is an immediate and obvious response. The case for aid is strengthened if service delivery improvements, such as those that improve education and health, also drive growth (see, for example, Weil's 2005 estimates of the large explanatory effect of health status on cross-country differences in income). If better service delivery leads to growth, then aid to improve service delivery may trigger sustainable reforms in which the need for external assistance eventually falls.

This picture is overly optimistic, however. Citizen demand for quality education or health care, even among the poor, is not low; and, except in the very poorest and smallest countries, even poor countries have shown themselves able to build capacity in areas of importance to their governments. Instead, then, it appears that service delivery dysfunction is rooted in weak political incentives to provide quality social services to citizens. Under these circumstances, financial transfers are insufficient for improved service delivery.

Although most donor activity continues to focus on such transfers, an awareness of the political obstacles to improved service delivery are evident in important, though scattered donor efforts to address service delivery inadequacy by enhancing user participation, publicizing information about financing, or assembling and disseminating citizen report cards. These innovative strategies are all implicitly based on improving political incentives to provide services. The expansion of these efforts is hobbled, however, by our lack of a precise understanding of why politicians tolerate poor service provision by government in the first place.<sup>1</sup>

The difficulty is best illustrated with a puzzle. Elections are a basic form of citizen participation in government, in principle endowing citizens with significant leverage over policy makers, since they allow citizens to expel poor performers from office at low cost to themselves. However, social services in poor countries with elected governments are little better and sometimes significantly worse than in poor countries with non-elected governments. Table 1 demonstrates the depth of the puzzle. It compares service delivery across poor democracies and non-democracies. In all cases, the differences between democracies

**Disclaimer:** The findings, interpretations and conclusions expressed in this paper are entirely those of the author and do not necessarily represent the views of the World Bank, its Executive Directors, or the countries they represent.

<sup>1</sup> Mansuri and Rao (2004) criticize community-based development efforts in part precisely because their efforts to encourage popular participation run into political obstacles.

and non-democracies are slight, sometimes less than 10 percent of a standard deviation, as with the percent of infants who have receive the DPT immunization. In one case, the percentage of children receiving treatment for acute respiratory illness, democracies perform slightly *worse* than non-democracies.

**Table 1. Poor democracies act like poor non-democracies**

	<i>Poor non-democracies</i>	<i>Poor democracies</i>
<b><i>Social service delivery and government spending</i></b>		
<b>Gross sec. school enrollment (% school age children enrolled), 1998,</b>	<b>44.3 (44)</b>	<b>48.9 (32)</b>
<b>Primary school completion rate (of age appropriate children) (s.d.= 26.8)</b>	<b>70.7 (40)</b>	<b>80.7 (26)</b>
<b>Child mortality (deaths of children under 5, per 1000) (s.d.= 68.4)</b>	<i>110.1 (54)</i>	<i>85.3 (36)</i>
<i>Acute respiratory illness, 1995 – 2000, (s.d.=12.0)</i>	<i>14.5 (36)</i>	<i>21.4 (31)</i>
<i>Of those, how many treated?, 1995 – 2000, (s.d.=19.3)</i>	<i>50.2 (37)</i>	<i>43.9 (31)</i>
<i>Diarrhea, cut off average, 1995 – 2000, (s.d.=7.4)</i>	<i>17.3 (44)</i>	<i>19.2 (35)</i>
<i>Of those, how many oral rehydration salts? 1995-2000, (s.d. = 13.4)</i>	<i>30.3 (45)</i>	<i>32.5 (36)</i>
<i>% with DPT immunization, 12-23? Year=1998 (s.d.=22.1)</i>	<i>71.1 (54)</i>	<i>78.2 (42)</i>
<i>Total government expenditures/GDP, 1998, (s.d. = .09)</i>	<i>.27 (21)</i>	<i>.24 (18)</i>
<b>Private sector development</b>		
<i>Days in customs</i>	<i>6.8 (15)</i>	<i>8.15 (16)</i>
<i>Paved roads/total roads, 1998</i>	<i>44.8 (11)</i>	<i>38.9 (14)</i>
<i>Corruption (0 – 6, least corrupt = 6), 1997</i>	<i>2.7 (25)</i>	<i>2.9 (34)</i>
<i>Bureaucratic quality (0 – 6, 6 = highest quality), 2000</i>	<i>2.3 (28)</i>	<i>2.4 (30)</i>
<i>Rule of law (0 – 6, 6 = highest quality), 2000</i>	<i>3.7 (28)</i>	<i>2.9 (30)</i>

*Note:* Poor countries are those poorer than the mean country for the years from which the data comes. Corruption, Bureaucratic Quality and Rule of Law from Political Risk Services, *International Country Risk Guide*. All other indicators from *World Development Indicators*, The World Bank.

The comparison in Table 1 also demonstrates that the puzzle of democratic performance goes beyond service delivery. Along a variety of dimensions regarded as important both to sound public sector administration and to private sector development, democracies and non-democracies exhibit nearly the same performance, with non-democracies sometimes exceeding democratic outcomes. The explanation for this puzzle explored below, focused on political market imperfections that dissuade politicians from pursuing service delivery improvements, also can explain these broader performance characteristics of democracies.

### *Credibility, information and the politics of service delivery reform*

Following Keefer and Khemani (2005), this chapter explores two political market imperfections that could answer the question, why does pressure from voters not drive elected governments to improve service delivery quality? The first is the inability of politicians to make credible promises to citizens. The second is the inability of citizens to observe the relationship between political actions



and their own welfare. With regard to the first, past research has demonstrated that political credibility is a crucial determinant of government policy choices (Keefer and Vlaicu, 2005). In democracies, political competitors use credible promises to citizens to influence their voting decisions. However, they have the strongest incentives to make promises to citizens who believe them.

When politicians can make credible promises to only a fraction of the citizenry, they focus on targeted goods that benefit these citizens narrowly and less on governments programs that broadly improve the welfare of all citizens. The latter deliver benefits to citizens who do not believe their promises, and therefore offer no political payoffs to the politicians. Under these circumstances, government jobs and infrastructure become the currency of politics: they are easily targeted to narrow groups. Moreover, political restraints on corruption ease, since the costs of corruption are easily shifted to the broad segments of the population to which political competitors cannot make credible promises. Service delivery improvements have substantial public good attributes, since the steps that politicians must take to improve service delivery tend to require improvements that benefit all service recipients and are difficult to target. Social services should therefore be under-provided in countries in which politicians cannot make credible promises to most voters.

Information is also key to government accountability, however, and public goods are heterogeneous in the extent to which citizens can easily track political responsibility for better or worse provision of them. As Majumdar, et al. (2004) have shown, the greater are the information asymmetries between citizens and politicians associated with a particular public good, the more likely are politicians to subordinate that public good to others in which their actions are more easily monitored by citizens.

Service delivery is, in particular, rife with information asymmetries. It is difficult for citizens to identify how political actions have affected their health or the educational progress of their children; it is easy, on the other hand, for them to assign political responsibility for the appearance of electricity to or roads near their homes. If citizens only observe their own private experience with service providers, they may not be able to determine even whether it was good or bad, much less whether to attribute bad or good performance to the actions of the service provider, to the bureaucratic apparatus standing behind the service provider or to the decisions of politicians. The effects of this information asymmetry are magnified because the benefits of service provision depend heavily on private characteristics of the service recipients – how healthy they are or how academically astute, for example. As a consequence, even when politicians develop the capacity to make credible promises to most citizens, they may still have limited incentives to provide public goods that are subject to severe information asymmetries (see Keefer and Khemani, 2005, for a review).

The fact that “contractual” problems of information and credibility limit the ability of citizens to hold government officials accountable for public good provision in democracies does not fully explain why poor democracies perform about as well as non-democracies. One might expect that these contractual problems would be at least as severe in non-democracies, where citizens are apparently even less able to sanction non-performing officials. In fact, as the brief discussion at the end of this chapter indicates, although leaders of non-

democracies need not appeal to voters, their survival is enhanced to the extent that they can make credible promises to citizens, since broad citizen support is a deterrent to potential challengers. Those non-democracies that solve this problem of credible commitment may therefore perform better than those democracies that do not. The ability to overcome contractual obstacles to politician accountability to citizens therefore explains not only why some democracies perform better than others, but also why some democracies perform worse than some non-democracies.

Evidence reported below affirms earlier research about the importance of credibility for public good provision: when politicians can make credible promises only to limited constituencies, corruption is higher, bureaucratic quality and the rule of law are lower, and the political emphasis on non-public goods, such as jobs in the government, is higher. However, service delivery indicators, particularly those associated with health, appear to be less influenced by these measures of the breadth of the citizenry to whom politicians can make credible promises. This is true in both democracies and non-democracies. Information asymmetries are the most likely explanation for this, and therefore loom large as additional barriers to service delivery. That is, overcoming political obstacles to service delivery reform requires that interventions allow citizens both “to see” that the country’s leaders have improved their welfare through their service delivery efforts, and “to believe” the promises of political competitors that they will undertake actions to improve broad social welfare.

This message contrasts sharply with the main thrust of development strategies, particularly in struggling countries. For example, one conclusion of the development community’s work on fragile states is to focus first on service delivery in post-conflict or other troubled states (World Bank, 2002; Chauvet and Collier, 2004). The evidence here suggests that, as a political matter and across all countries, service delivery is the most challenging area of policy to improve. Not only does it require that politicians have incentives to reach broad segments of the population, but also that they have the administrative apparatus to deliver services and a population sufficiently informed to give them credit for their efforts.

### *Assessing the effects of credibility on social service delivery in democracies*

The analysis in Keefer and Vlaicu (2005), predicts that in democracies in which political competitors cannot make credible promises to most voters, non-targeted or public good provision – including service delivery – should suffer. In addition, politicians should give extra emphasis to targeted transfers to voters, and finally, rent-seeking should be greater.<sup>2</sup> The question that arises in tes-

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<sup>2</sup> Rent-seeking, or corruption, are greater when political decisions have less of an influence over electoral outcomes. When political competitors are not credible to most voters, they can do little to use policy to sway those voters in the event of adverse popularity or other shocks. The electoral price of corruption is therefore lower (since with a greater probability than if they were credible, they are expelled from office independent of their performance – see Persson and Tabellini, 2000, Chapter 8).

ting these predictions is immediately evident: how should we measure political credibility?

One response to this question is to recognize the crucial role played by political parties. Any individual candidate who is not attached to a cohesive political party faces at least two obstacles to promising broad public goods. First, it is difficult for individual candidates to build up a policy reputation with all voters. Second, it is difficult for them to persuade voters that they will be able to secure the cooperation of other government officials in pursuing these public goods. Programmatic political parties ease these constraints. One measure of credibility that is used below is therefore whether the main opposition and government parties are programmatic or not. This dummy variable, employed in Keefer (2005b), is coded as one if parties are recorded as being right, left or center in the *Database of Political Institutions* (Beck, et al., 2001).

Programmatic parties can be defined as parties with a reputation for pursuing particular public policies. Given that such a party exists, all candidates in the party have an incentive to adhere to the “party line”. If they leave the party, they can only win support based on their individual characteristics; inside of the party, they get additional votes based on voter regard for the party label that they carry. Given this, they also have an incentive to impose discipline on each other, since the value of the party label depends on all party members adhering to it. Observing the self-enforcing arrangements inside the party, voters therefore trust party commitments and, in fact, support candidates on the basis of their party’s position as well as their individual characteristics. German voters, for example, have great confidence in the policy preferences of the Green Party and vote for the Green Party on the basis of those preferences more than the characteristics of individual Green Party candidates. These effects are weaker where candidates have strong incentives to serve local constituencies (as in the United States), but even where local concerns are significant in national voting, party labels are central for most voters as long as programmatic parties exist.

If a party can make programmatic appeals that are credible to large numbers of citizens, independent of the party’s candidates, the party’s leaders are more likely to push for better public good provision. This is true even if the party does not campaign on service provision, *per se*. First, leaders of all parties have incentives to expand the appeal of their party (and all of its candidates) to a larger share of the electorate; they can do this by pursuing policies that build up their reputation as providers of high quality public services. However, second, leaders of programmatic parties can more easily discipline the party’s officials to improve public good provision rather than engage in behavior that maximizes individual interests at the expense of the party’s (and country’s). They can influence candidate selection and financing with less concern that this will result in candidate defection. Leaders of non-programmatic parties have greater difficulties in doing this: the party label delivers few electoral benefits to candidates and it is electorally cheap for candidates to defect if they feel badly treated by the leadership. On the contrary, non-programmatic parties typically rely more on individual candidates to mobilize voters and are less able to demand candi-

date commitment to public good provision.<sup>3</sup>

The presence of programmatic parties is a direct measure of credibility, but its measurement is noisy. A less direct measure of (more distant proxy for) credibility, but one that can be measured with less error, is the number of years that countries have experienced continuous competitive elections. Keefer (2005a) outlines two reasons to expect an association between the years of continuous competitive elections and political credibility. First, in longer-lived democracies, politicians have had more of an opportunity to invest in their credibility across a wider fraction of voters (as in Keefer and Vlaicu, 2005). Second, democracies governed by non-credible politicians are simply more likely to fail. In either case, low credibility, and weak incentives to provide public goods, should be associated with shorter-lived democracies.<sup>4</sup>

The effects of credibility differ across policy dimensions, depending on whether they are related to government rent-seeking, public good provision, or private good provision. A number of policy variables are therefore considered here. These include, first, several public or non-targeted aspects of government policy. Bureaucratic quality and the rule of law (from Political Risk Service's *International Country Risk Guide*, or *ICRG*) are public goods almost by definition: in the presence of both, all citizens are treated equally, and in the absence of both, some citizens are treated better than others. The flow of information in a society is also a public good, also by definition: the provision of information to the public good, while efforts to obstruct the flow of information are a public bad. The market share of state-owned newspapers, from Djankov, et al. (2003), is a proxy for the extent to which the government restricts citizen access to the public good of information. Three measures of service delivery are used. Primary school completion and gross secondary school enrollment, from *World Development Indicators*, controlling for education spending, capture the public good dimensions of education policy.<sup>5</sup> The efficacy of health delivery is captured by child mortality.

To examine whether non-credible political actors are more likely to tolerate corruption, the corruption variable from *ICRG* is used. Finally, two measures of public policy are used to assess political incentives to provide targeted or non-public goods, the government wage bill and public investment as fractions of GDP, both from *World Development Indicators*. These indicate the tendency of

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<sup>3</sup> This leads to a counter-intuitive result. The typical conclusion of models of political competition with credible parties and ideologically motivated voters is that the smaller the fraction of swing voters, the greater the focus on targeted goods and the less on public goods (see Persson and Tabellini, 2000). However, in the absence of ideologically motivated voters, when all voters are essentially swing but in which only individual candidates are able to swing them, it is actually targeted goods provision that increases.

<sup>4</sup> Competitive elections are determined by values of the legislative and executive indices of competitive elections from the Database of Political Institutions, Beck et al. (2001). When these are both equal to the maximum, seven, indicating that multiple parties can and do compete in the election and no party gets more than 75 percent of the vote, elections are competitive.

<sup>5</sup> Spending on education can be slotted either to public goods (the quality of education) or targeted goods (school buildings, patronage positions for teachers). The political variables in Table 2 capture the extent to which that spending, controlled for in the education regressions, is spent "publicly"; to the extent that it is not, we expect school enrollment and completion to fall as families react to lower quality by withdrawing their children.

governments to provide easily monitored and targetable goods to citizens.

None of these measures is perfect. The bureaucratic quality, rule of law and corruption measures are subjective assessments of these characteristics. To the extent that the subjective assessments are influenced by the years of democracy or the presence of programmatic parties, the evidence below is biased. Work elsewhere (see, e.g., Keefer, 2005a) suggests that this is not a serious problem.

Other variables are proxies that are only approximate matches to the underlying policy issue of concern. The market share of state-owned newspapers may, but need not, imply the suppression of public information. Primary school completion and gross secondary school enrollment are only approximations of the public good we care about in education, the quantity of student learning. Child mortality is neither a comprehensive indicator of health care quality in a country, nor is the quality of government policy towards health care the only determinant of child mortality. Public investment need not represent only school buildings and local roads provided to narrow constituencies, but could also involve expenditures on large network facilities or national highways. Public employment may not reflect only patronage, but could also reflect increased government efforts to provide public services. Nevertheless, the inexactness of the proxies used here creates a bias *against* observing a significant relationship between the credibility variables and policy outcomes.

In sum, controlling for a number of country characteristics that influence the demand for public and private goods, including land area, total population and age of population, we can ask whether there is a positive association between non-targeted good provision and the years of competitive elections or the presence of programmatic parties; and a negative association with corruption and targeted good provision. The results of these experiments are reported in Table 2. As in Keefer (2005a, b), they indicate an often very large association. One or both of the credibility variables explain each of the eight policy outcomes in the direction predicted by the credibility arguments, and in contrast to competing theories (see Keefer, 2005a for a more extensive discussion).

The estimated effects of the continuous years of competitive elections and the presence of programmatic parties on bureaucratic quality and corruption are highly statistically significant (the italicized *t*-statistics are substantially larger than two), and large: a 20 year increase in the years of competitive elections increases the six point bureaucratic quality indicator by .6 points and the introduction of programmatic government and opposition parties increases it by .57 points; the effects on corruption are similar or larger in magnitude (these magnitudes are all more than one-third of a standard deviation of the respective variables).

The credibility indicators are associated with significantly or nearly significantly lower market share for state-owned newspapers. The effects on service delivery are weaker: programmatic political parties are associated with significantly lower child mortality and higher primary school completion, but the years of continuous elections is not. Neither variable is a statistically significant determinant of secondary school enrollment. Countries with more years of elections exhibit nearly significant lower targeted transfers in the form of government jobs (the wage bill is lower), and significantly lower targeted infrastructure (assuming that this comprises the bulk of public investment),

though the presence of programmatic parties has no apparent effect on political reliance on targeted spending.

The results in Table 2 suggest that political credibility, as measured here, has the strongest effects on corruption and bureaucratic quality. Effects on non-targeted goods, particularly service delivery, are more ambiguous.<sup>6</sup> Moreover, other service delivery variables, ranging from the doctors per 1000 population to the fraction of infants immunized against diphtheria, pertussis and tetanus (DPT), are largely insensitive to these political variables (results available upon request). The argument presented earlier is that even credible politicians devote less effort to government activities where the political contribution to citizen welfare is more obscure. This explanation remains plausible. Governments directly control corruption and bureaucratic quality, but only partially influence student learning and child health; that partial influence is difficult for citizens to discern.<sup>7</sup>

**Table 2. Effect of the persistence of competitive elections and programmatic parties**

Dependent variable:	Rent-seeking	Non-targeted goods					Targeted Goods	
	Corruption in Government (0-6, higher is better)	Bureaucratic quality (0-6)	Market Share, Gov't-owned newspapers	Child mortality (per 1000)	Primary school completion	Gross secondary school enrollment	Central gov't. wage bill/GDP	Public investment/GDP
Continuous years of competitive elections	.037 (8.08)	.03 (5.06)	-.002 (1.51)	-.09 (1.12)	-.004 (.11)	.18 (1.29)	-.0004 (1.58)	-.001 (2.29)
R2 (obs, countries)	.51 (1422, 102)	.56 (1424, 102)	.40 (59,59)	.63 (695, 114)	.52 (306, 69)	.74 (140, 67)	.23 (560, 89)	.10 (604, 64)
Both government and opposition parties programmatic? (0,1)	.57 (3.32)	.57 (3.28)	-.24 (2.1)	-16.3 (2.18)	6.86 (1.99)	1.34 (.43)	-.0009 (.18)	-.005 (.61)
R2 (obs, countries)	.41 (1422, 102)	.51 (1424, 102)	.48 (59, 59)	.64 (695,114)	.55 (306, 69)	.73 (140, 67)	.21 (560, 89)	.09 (604, 64)

N.B. *t*-statistics in parentheses. Every specification controls for total population, land area, *ppp*-adjusted income/capita, percent population young, and percent rural. The two education regressions both control for total government education spending/GDP. The gross secondary school enrollment regression controls for gross primary school enrollment. Regressions are time-series, cross section, OLS. Robust standard errors are reported, clustered by country so that multiple country-regimes from the same country are not treated as independent observations. Election year results are unchanged when the units of observation are democratic episodes (as in Keefer 2005b) rather than country years. Only country-years with competitive elections are considered (where the legislative and executive indices of competitive elections from Beck, et al. 2001 are at their maximum values of seven). All regressions include a constant (not reported).

<sup>6</sup> Effects on targeted goods are also more ambiguous, but this is more likely due to measurement error, since although it is most likely that high public investment and government wage spending are targeted, they need not be and could, on the contrary, represent government efforts to provide public goods.

<sup>7</sup> The relative insensitivity of service delivery to political variables may also be due to demand-side explanations. For example, immunization campaigns are easily observed, but they are not particularly popular. Where demand is weak, so are the political payoffs, so credible politicians expend efforts on other public policies. Nevertheless, it should still be the case that a government motivated to provide the public good of immunization would also invest in the public good of information about the benefits and necessity of immunization.

While incomplete information is a plausible interpretation of the results in Table 2 and the variable impact of credibility variables across policy types, the estimations in Table 2 do not directly test the thesis that incomplete information has divergent effects across different policies. Ideally, one would assess the information argument by asking whether results change when controlling for citizen information about political decision making. The standard variable for that purpose in cross-country or in intra-country, cross-state comparisons is newspaper circulation. However, when added to the specifications in Table 2, newspaper circulation is insignificant in the service delivery regressions.

There are two possible reasons for this. First, the media are most useful for controlling corruption and increasing access to targeted or concrete programs (as in Strömberg, 2004 or Besley and Burgess, 2002), but less useful in solving more subtle informational asymmetries. Second, newspaper circulation may capture credibility and not voter information. As Keefer (2005a) observes, newspaper circulation is highly and inversely correlated with the market share of state-owned newspapers, suggesting that public policy towards information drives newspaper circulation; since those policies are less favorable in less credible political environments, newspaper circulation may be a better proxy for credibility than for information.

### *Why is service delivery worse in some democracies than in some non-democracies?*

This chapter began with the observation that poor democracies and non-democracies exhibit similar government performance, on average. This means, in turn, that some non-democracies actually perform better than some democracies. The earlier analysis offers an explanation of the democratic side of this comparison: the poorer performing democracies suffer more from political market imperfections. Correspondingly, the analysis in this section suggests that *better* performing non-democracies suffer less from these imperfections. Taken together, the evidence for democracies and non-democracies underlines the importance of designing service delivery reforms not only to address narrow policy and administrative shortcomings in the delivery of services, but also to address the political market failures that discourage sustainable reform.

Like elected leaders, unelected leaders are more secure when they command the support of citizens broadly. It is certainly true that their incentives to invest heavily in such support are weaker, since the costs to citizens of manifesting their opposition to an unelected regime are higher. Nevertheless, they are better off with such support than without it. To achieve and sustain citizen support, however, unelected leaders must overcome the same political market imperfections as elected leaders: they must be able to make credible promises to citizens and citizens must be informed about what their unelected leaders have done for them.

Elected leaders who cannot make promises to broad segments of the electorate rely on personal or clientelist relations with voters. Similarly, unelected leaders who lack broad popular appeal rely on personal ties, rooted in family, ethnicity, religion, language or region, to make credible promises to loyalists

who will defend the regime from challenges. The reliance on personal ties, in non-democracies as in democracies, diminish political incentives to improve bureaucratic quality or to curb corruption, simply because personal relationships with the leadership must play an important role in personnel decisions, displacing merit and performance. These distortions potentially diminish over time, to the extent that leaders who remain in power for a longer period of time build up a personal reputation with a larger fraction of the citizenry, much as political parties in democracies can become more credible or programmatic with the passage of time (Clague, et al., 1996 also make this argument). Finally, unelected leaders can build up an institutionalized ruling party to extend an umbrella of credibility over a broad group of citizens, even those who lack a personal connection to the leaders. The broader is the group of citizens who believe the leadership, the more efficient it is for leaders to improve public good provision (see Haber, forthcoming and Keefer, 2006).

As in the case of elected leaders, the core empirical question is how to measure the credibility of non-elected leaders. Party characteristics again provide one solution. A key characteristic of institutionalized ruling parties is that they do not depend on the leader in power. Such parties exhibit some degree of intra-party checks and balances, relatively institutionalized transitions from one leadership group to the next, and promotion procedures inside the party that are transparent and non-arbitrary.<sup>8</sup> In fact, those autocracies known for high levels of service delivery, particularly communist countries such as the former Soviet Union or Cuba, also exhibit large and relatively institutionalized ruling parties.

The extent to which a ruling party is institutionalized can be captured, first, by looking at the years an individual leader has been in office. The effect of this on institutionalization is not clear, *a priori*. The longer the leaders' tenure, the greater the opportunity the leader has had to build up an independent reputation and an institutionalized party. However, it could also be that the long-lived leader has also had a greater opportunity to shape the ruling party around his personal leadership. The results below support the former interpretation. Data on the tenure of the executive is available from the *Database of Political Institutions* (Beck, et al., 2001).

Second, we can ask whether ruling party has a programmatic identity – to the extent that it does, it can make credible commitments to a broader fraction of the population. The regressions below use a dummy variable, coded as one if the ruling party is categorized as right, left or center in the *Database of Political Institutions* (Beck, et al., 2001). Third, we can look at the age of the leader's party and ask whether it is older than the leader's tenure. Specifically, the regressions below ask whether a leader's party has existed at least 10 years longer than the leader herself has been in power. To the extent that it has, controlling for the leader's own personalized influence, we can assume that the ruling party is more institutionalized and the capacity of the regime to provide public goods is greater.

The last two indicators are highly correlated. Focusing only on countries with

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<sup>8</sup> The Chinese Communist Party has these characteristics; most autocracies do not (see Whiting, 2001 and Yang, 2004 for ways in which the CCP has institutionalized).



no elections, 77 percent of parties at least ten years older than the leader's tenure are also programmatic; only 11 percent of non-programmatic parties are also old. Two specifications are therefore employed. Both include the tenure of the executive, while one controls for whether the ruling party is programmatic and the other controls for its age.

The regressions in Table 2 investigate only countries where there were competitive elections and no party won more than 75 percent of the votes or seats. The regressions in Table 3, in contrast, examine all of those countries in which there were either no elections or, if there were, no opposition party won any seats at all.<sup>9</sup> The first set of regressions reports the estimated effects of the variables capturing leader tenure and whether the ruling party was programmatic, using the same specifications as in Table 2. The second set of regressions does the same, substituting the ruling party age dummy for the programmatic dummy. The state ownership of newspapers is omitted because sample sizes are too small.

Overall, the results suggest that policy is in fact sensitive to the institutionalization of political parties in non-democracies and to the tenure of leaders, but as with the democracy regressions, the effects are least pronounced for service delivery and most pronounced for those related to the quality of the public administration. At least one of the credibility variables is a statistically significant determinant of corruption or bureaucratic quality in each of the two sets of regressions in Table 3. In the case of the three service delivery variables, however, only the years in office of the executive is ever significant, and then only with respect to primary school completion rates. Ruler and ruling party characteristics are not strong with regard to targeted goods: both programmatic and long-lived parties are associated with lower spending on public sector employment, though only the programmatic variable is significant; long-lived parties are also associated with higher, not lower, public investment.

One reason for the ambiguous results is that *nearly all* (93 percent) of the observations classified as programmatic happen to be left-wing governments. Although those governments do not do much to improve public good provision, they do appear to redistribute income: total government spending, taking into account the controls used in the specifications of Table 3, is a full 12 percent of GDP greater in the countries with programmatic parties than in countries without them. This likely affects the public investment regressions, as well. In order to implement their program and to retain their credibility, these governments in all likelihood engage in significant redistribution (about which we have little information). Information is therefore a likely explanation of the paradox: citizens can more easily observe and give credit to government for redistribution (and large-scale public investment projects), but not for service delivery improvements.

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<sup>9</sup> That is, only countries for which the legislative and executive indices of electoral competition are both less than six.

**Table 3. Political determinants of targeted and non-targeted goods in non-democracies without multi-party elections**

Dependent variable:	Rent-seeking	Non-targeted goods				Targeted Goods	
	Corruption in Government (0-6, higher is better)	Bureaucratic quality (0-6)	Child mortality (per 1000)	Primary school completion	Gross secondary school enrollment	Central gov't. wage bill/GDP	Public investment/GDP
Years in office of leader?	.01 (1.11)	.02 (2.17)	.42 (.72)	.46 (1.85)	-.03 (.13)	.0005 (.72)	.0002 (.47)
Is the ruling party programmatic?	.45 (1.78)	-.22 (1.05)	-1.17 (.07)	5.46 (.72)	-10.10 (1.37)	-.045 (2.59)	.02 (1.34)
R2 (obs, countries)	.08 (508, 56)	.15 (508, 56)	.66 (170, 71)	.67 (129, 36)	.92 (36,32)	.42 (100, 26)	.17 (591, 58)
Years in office of leader?	.01 (1.30)	.02 (2.11)	.26 (.44)	.40 (1.78)	.004 (.02)	.001 (1.26)	.0004 (.95)
Has the ruling party existed at least ten years longer than the leader's tenure in office? (1, 0)	.43 (1.90)	.42 (1.77)	-10.3 (.68)	-1.91 (.35)	-6.04 (1.17)	-.021 (1.21)	.02 (1.88)
R2 (obs, countries)	.08 (496, 52)	.18 (496, 52)	.67 (161,63)	.68 (127, 35)	.91 (35, 31)	.39 (95,24)	.18 (555, 56)

N.B. t-statistics in parentheses. Specifications and other estimation details are the same as in the corresponding Table 2 regressions, substituting the respective political variables. See Table 2 notes. Only country-years with no competitive elections are considered (where the legislative and executive indices of competitive elections from Beck, et al., 2001 are below six).

### *Conclusion and policy implications*

The dynamics of political competition exercise significant influence on the quality of government policies and the extent to which policies enhance social welfare. In particular, the ability of political competitors to make credible promises to most voters, in democracies, and the ability of leaders in autocracies to make credible promises to supporters absent a personal relationship with them, have a substantial effect on government actions ranging from corruption to state ownership of newspapers to government employment. However, service delivery is different: it is more difficult for citizens to perceive the effects on their welfare of government decision making regarding service delivery even when politicians are credible. Service delivery reforms therefore confront the greatest obstacles to reform.

Two clear lessons emerge for donors. First, if sustainable development requires political competitors to be credible to broad segments of the population, then donor actions must support policies that allow credibility to be increased. In "typical" client countries, this means increasing beneficiary awareness and transparency about reform objectives and accomplishments, and doing so in a way that helps citizens hold governments accountable (give governments credit for success). This information agenda is somewhat different than the usual: it emphasizes less user participation in the design of reform, for example, though this is surely important, and more the ability of citizens generally to monitor who is undertaking which reform actions, and to what effect.

In troubled or fragile states, the same goal must be pursued, of increasing the credibility of and information about political promises to as broad a fraction of the population as possible. However, authentic and serious capacity constraints and the intrinsic social divisions that often characterize such countries may make traditional donor strategies of public good provision or improved service delivery impractical vehicles for accomplishing these objectives. The response of donors to these difficulties has often been to support non-governmental provision of services in the short and medium run. This does not build crucial political credibility, however. In order to accomplish this, donors should also pursue a parallel track of supporting government efforts to make and fulfill promises for which it does have the capacity. These promises may take the form of unconditional handouts, such as food baskets or cash grants, available equally to all citizens. In a perfect world, such handouts are an inferior development strategy and one that donors universally abjure. However, as a basis for sustainable political development in a country with weak institutions and non-credible politicians, they may be optimal: promises about such handouts are easily communicated; the fulfillment of those promises is easily observed.

These are not easy lessons. Transfers are costly and the effort to oversee government implementation is expensive. Moreover, well-functioning political systems have at least two broadly credible political competitors. Donor support of government credibility necessarily disfavors the development of credible political competitors outside of government. Donors can address this problem by operating *both* through government and through large NGOs with significant grassroots presence. In this case, NGOs themselves can become potential political entities able to make credible promises to broad segments of the population. This strategy in turn raises its own issues, not least of which are those related to sovereignty. Nevertheless, any attack on the fundamental obstacles to development requires that these issues be confronted in a forthright manner.

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## 5. Can Information Campaigns Overcome Political Obstacles to Serving the Poor?

*Stuti Khemani\**

### *Introduction*

Strategies to promote “good governance” are centre-stage in current development policy discussions. One element that has been emphasized by several international aid agencies is to use pre-identified and, as far as possible, objective, governance indicators to determine aid flows. The underlying arguments for this approach consist both of fulfilling fiduciary responsibilities to donors, and to promote competition among countries to improve governance indicators in order to access more aid. In parallel, there is increasing discussion around how international agencies might strengthen the hands of citizens in developing countries to hold their own governments accountable. For some time now the aid community has engaged in large-scale consultation with civil society in developing countries, and moved away from the more traditional model of dealing only with political representatives and bureaucrats. This paper makes a new proposal of a structured intervention along these lines, based on political economy research on determinants of government accountability, with the potential of improving poor citizens’ capacity to demand and receive basic services for development.

The proposal lies in an area of growing interest—to use information as a tool to empower citizens in developing countries to hold their public agents accountable. Civil society organizations have recently experimented with grassroots “information campaigns”, organizing public meetings around how public resources are allocated and what services are delivered, to bear collective pressure upon local service providers and compel them to improve performance (Jenkins and Goetz, 1999; Goetz and Jenkins, 2001; Paul, 2002; Olken, 2005; Banerjee, et al., 2006; Bjorkman and Svensson, 2006). Governments have recently pursued legislation on “right to information” or “freedom of information” to increase transparency and enable their citizens to probe allocation of public resources and achievement of results (Banisar, 2004).

This paper reviews the literature on information campaigns and the role of mass media in influencing public policy and argues that there are significant gaps in knowledge and experience in this area, and that much work remains in exploring “information” as a tool to strengthen political accountability for development. It argues that local information campaigns whose immediate objective is to generate local participation cannot have sustainable or large-scale impact on public services unless they change incentives of politicians who have ulti-

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mate authority over the management of public employees and public budgets. What kind of information to citizens can change political incentives to serve the poor? This is the question addressed in the paper.

The answer that is proposed is information on development outcomes, that public policies are designed to address, that is statistically representative at the level of the lowest electoral district, or similarly disaggregated politically relevant jurisdiction in a country. The paper argues that if such information is made available in a credible manner to citizens on a regular basis, so they can compare performance in one electoral district to another in achieving development indicators, and monitor improvements (or lack thereof) over time within a district, it can potentially lead to voter coordination in evaluating governments on this basis, and thereby promote yardstick competition between districts to improve development performance.

The next section discusses why information might be a binding constraint on improving accountability of public providers and political representatives for basic services. Section 3 describes emerging policy experiments to address this potential constraint—information campaigns to improve public services for the poor by mobilizing local collective action. Section 4 proposes a new type of information campaign—designed to make basic human development outcomes more salient in political competition—and thereby strengthen incentives of political representatives to find solutions to development problems. Section 5 concludes.

### *Why is information a constraint to making services work for poor people?*

Basic political agency models demonstrate the simple proposition that citizens (voters) need information about government performance to hold them accountable (Barro, 1973; Ferejohn, 1986). This idea has recently spawned a literature on whether and how mass media, as the obvious purveyors of information to a large number of citizens, impact public policies. Besley and Burgess (2002) find that governments are more responsive to crises when more citizens have access to the printed press. Greater press freedom and newspaper circulation are found to be associated with lower corruption (Brunetti and Weder, 2003; Adsera, et al., 2003). Strömberg (2004a) finds that governments deliver greater targeted benefits, such as from welfare programs, where more households own radios. However, there is no evidence reported on whether greater access to and freedom of mass media is similarly associated with better outcomes in broad public services, such as in education and health.

The channel through which mass media impacts outcomes has been theorized to be that of citizens having access to more information about government policies and actions and using that information to reward incumbents with re-election, or punish them by selecting competitors who promise to perform better (Besley and Burgess, 2002; Strömberg, 2004a). Is access to mass media associated with better information among citizens about public policies? Are more informed citizens more likely to turn-out to vote, and use information about public policies when making their voting decision? There is no systematic

evidence on these questions for developing countries. Some emerging evidence from India suggests that education and accessing of information are stronger determinants of political participation than household wealth or social status. Individuals with more years of schooling and who access more sources of information (family, neighbors, radio and TV, newspapers, influential people, village assemblies) are more likely to participate in local political processes (Krishna, 2003).

Building on the original insight of Dreze and Sen (1989), Strömberg (2004b) argues that news in the media is more likely to cover extra-ordinary or sensational events, like epidemics and famines, than constant problems, like disease-ridden environments and endemic malnutrition, and hence media might inform citizens about targeted policies such as for disaster relief but not about common-place problems in broad public services. Furthermore, even if poor people might represent large demand for news on the status of broad public services and how to improve it, media markets might have limited incentives to service that demand because they cater more to those audiences that have purchasing power (and don't care about public services) and are the target audience for product advertisers (Strömberg, 2004b).

Clearly, the business of government is a complex one, and public budgets are massive documents of allocation of public funds to numerous "line items". It would be unreasonable to expect any lay citizen to be well informed about all these aspects of public decision-making and resource-allocation. So, what do we mean by citizens being "informed" about public policies and government performance? The existing studies on the impact of mass media suggests that phenomena such as misappropriation of public resources ("corruption"), or lack of response to disasters, are newsworthy "stories" and the risk of such stories being broadcast can discipline politicians. What of other problems of day-to-day service delivery such as those documented in the *World Development Report 2004* (World Bank, 2003) – provider absenteeism, provider misbehavior, and theft of public resources on a smaller scale at local levels which mass media is unlikely to pick-up? Are these the result of lack of information?

One could argue that citizens are likely to be well-informed about the physical conditions of their neighborhood public school and clinic, and about the presence or absence or misbehavior of teachers and health workers, because they live there and are the clients of these services. What they might not be informed about are public resource allocation for a road or a water body that is yet to be built, which local bureaucrats and project managers can potentially misappropriate. In the next section I describe one type of information campaign where a local NGO seeks to address precisely such information constraints about public resources allocated to local infrastructure. However, even with such potential information constraints the question arises why politicians (cabinet of ministers, legislatures) that presumably allocate these resources for local infrastructure would allow local bureaucrats to steal the funds? Wouldn't politicians have a lot to gain from providing visible roads and water bodies to their constituencies, and couldn't they devise mechanisms to minimize local corruption?

Evidence from voter surveys and government performance in the US suggests that improving accountability does not require that all voters be deeply informed, only that most voters share some information about political respon-

sibility for key policy outcomes (Ferejohn and Kuklinski, 1990). These studies show that voters adopt simple voting criteria based on very limited information about politics and public policies. Fiorina (1990) emphasizes that the information that people use when they vote comes from the ordinary performance of social and economic roles and is therefore “free”. Fiorina and Shepsle (1990) and Chappell and Keech (1990) argue that citizens can employ voting rules requiring very little information and still motivate politicians to pursue policies in their interest. Ferejohn (1990: 8-9) captures this process as follows: “find a way to get the electorate to commit itself to act as though it is a simple principal with a one-dimensional set of rewards. In this way, incumbents will be prevented from taking advantage of the conflicting interests in the electorate.” This suggests that information can play a coordinating role, focusing public attention on particular policies for greater political accountability.

Keefer and Khemani (2005) argue that the nature of information likely to be “freely” available in developing countries is responsible for a “political market failure” in that it creates for undue public attention to inefficient, and sometimes ineffective, policies of targeted transfers in the form of public-sector jobs and price subsidies, shifting effort and resources away from public policies for basic development outcomes. Their analysis points to two kinds of information-related political market failures. One, although people know whether their own child died or not, and whether their neighborhood health worker did anything to help them, they are unlikely to hold their remotely located politician accountable for this private experience. They typically do not have information on aggregate development consequences that is more likely to be linked to the actions of their political representatives—they don’t know for example, how many children in their politician’s electoral district do not survive beyond the age of five, and whether the politician is taking action in terms of greater immunization efforts or public health campaigns. Professional journalists are not trained to be able to generate the kind of data needed to calculate development indicators at the level of disaggregated political jurisdictions which citizens could use to evaluate their representative.

Two, even if they can guess that others in their neighborhood are suffering similar tragedies, people might be apathetic to using actual development outcomes as an indicator of politician performance, focusing instead on simple actions they can directly observe, such as announcement of a price subsidy or provision of jobs, because they do not expect politicians to be able to improve these difficult outcomes. They don’t have access to or the capacity to understand “expert” studies that argue that politicians could impact outcomes like the rate of child mortality and incidence of disease through simple policy levers. If a society is stuck in this vicious cycle of low performance and low expectations for broad development outcomes, with efforts instead expended upon scrambling for private benefits from public resources, incumbent politicians have stronger incentives to provide targeted benefits rather than broad public goods, and opposition politicians have trouble mounting a credible challenge on the platform of broad development issues.<sup>1</sup>

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<sup>1</sup> Banerjee and Duflo (2006) describe such general public apathy to improving broad social services in developing countries.



The objective of this paper is to explore whether a purposively designed information campaign might address these “political market failures”. But before discussing this, in the next section I discuss existing experiments in conducting information campaigns to improve public accountability and evaluate how these might make a difference by addressing potential information constraints.

### *Information campaigns for local collective action*

Recently, various NGOs, civil society organizations, and reform-minded government ministries have pursued innovative campaigns that use information about public programs as a tool to mobilize poor communities to improve public services. One type of campaign is motivated by the observation that poor people have little or no information about resources that are actually assigned to schools, health clinics, and public works programs, and what they are expected to deliver, leading to widespread theft of public resources. When this information is generated and disseminated publicly, it might lead citizens to pressure politicians and bureaucrats to actually deliver those resources to schools, clinics, and public works, and pressure the public providers to deliver better services with those resources. Jenkins and Goetz (1999) and Goetz and Jenkins (2001) describe recent anti-corruption drives organized in developing countries by NGOs, consisting of public audits of particular spending programs – informing local citizens in large public meetings about what resources were allocated to local officials and how these were spent. Reinikka and Svensson (2005) describe how publicizing findings of leakage in funds intended to flow to schools in Uganda, reversed the process.

The experiments in public hearings to expose local corruption in India involved long-term and committed leadership by a group of altruistic ex-civil servants, and focus on individual public expenditure items, such as one road or one water body. The experiment in publicizing capitation grants to schools in Uganda involves one small item in a vast government budget, and it’s far from clear whether inundating citizens with detailed budget information on other larger items will serve any purpose. The question therefore arises how such anti-corruption campaigns for intensive village-level action, or tracking of particular items of public expenditure, can be “scaled-up”? The answer appears to lie in the role some of these efforts have played in getting governments to legislate citizens’ “right to information”, where information refers to material held by public authorities in any form, including reports, documents, memos, records, opinions, advice, etc. (Goetz and Jenkins, 2001). Such legislation might facilitate greater reductions in corruption than have been documented with the mere existence of a free and independent press (as cited earlier), by allowing media greater access to government documents. But it does not address, by itself, the political market failure that leads to poor quality service delivery described in the previous section. Evidence of provider absenteeism and misbehavior, or inefficient allocation of resources by governments are typically not found in government records, and journalists and citizens at large are typically not trained to analyze raw data that might be available to generate such evidence.

Through a rigorous evaluation of different mechanisms to combat local cor-

ruption, including both grassroots information dissemination among beneficiaries and audit from higher-tier government authorities, Olken (2005) found that audits-from-above were more effective in reducing corruption. This brings us back to the question posed in the last section—if local corruption is a big problem for public services, why don't politicians have stronger incentives to put proper audit mechanisms in place, the threat of which can significantly reduce such corruption?

Paul (2002) describes a second type of campaign, where “citizen report cards” are created by collecting information on citizen perceptions of the quality of services provided by various government agencies. These report cards are then publicized through local media and meetings with service providers. Paul (2002) describes how this tool was used to improve municipal services in the city of Bangalore in south India. It served as a massive, collective complaint to the public providers, which either “shamed” them into improving services, or sent a strong signal to local politicians that citizens care about service delivery and the politicians in turn put pressure on the providers to improve performance. This experience with report cards therefore suggests that their promise lies in playing the kind of vote coordinating role suggested by Ferejohn (1990) that would generate strong political incentives for particular outcomes.

Recent experience with such “report cards” in rural areas of India, where the majority of citizens are poor (as compared to the more middle-class and affluent citizens of Bangalore) and where media interest is likely to be less strong, indicates several problems with this approach. In a survey of 280 villages in the state of Uttar Pradesh in north India, Banerjee, et al. (2006) find that large numbers of children have not acquired basic competencies of reading, writing, and arithmetic; yet, parents, teachers, and local government officials are not aware of the scale of the problem, and seem not to have given much thought to the role of public agencies in improving outcomes; parents do not know of the existence of local education committees, sometimes even when they are supposed to be members of it; education committee members are unaware of even key roles they are empowered to play in education services; public participation in improving education is negligible, and correspondingly, people's ranking of education on a list of village priorities for public services is low. That is, learning failures coexist with public apathy to improving outcomes through public action.

Between September and December 2005, an Indian NGO, *Pratham*, intervened in 190 of the 280 villages surveyed with different types of information and advocacy campaigns that communicated to village citizens the status of learning among their children, and the potential role that education committees and local governments could play in improving learning. The basic format of the interventions was to organize a village meeting on education, with the attendance of the head of the local village government and the head teacher of the village public school, who are the key members of the education committee, from whom the village community is urged to ask and receive basic information about local agencies in primary education.

The issue raised most frequently in the village meetings, and about which people were most animated, was a government scholarship program intended to provide cash assistance to students from “backward” castes. Parents complai-

ned that they were not getting these scholarships, whilst teachers complained that parents inappropriately enroll under-age children, that can't and don't attend school, just to lay claim to the scholarships. The second issue that attracted attention was a new government mid-day meal program. Actual learning levels attracted the least attention, and the facilitators had a difficult time steering the conversation away from scholarships and school meals to the broader issue of learning. That is, the field experience lends support to the story of Keefer and Khemani (2005) that citizens often mobilize to demand private transfers from public policies, but less so for broad public goods such as improvements in service quality for everybody.

The average attendance in these meetings consisted of about 108 villagers, which seems a large gathering, with village total population (all ages) ranging from five hundred to five thousand. These meetings were followed-up with small group meetings with education committee members who were provided with pamphlets about their roles and responsibilities in education service delivery. The hypothesis behind these interventions was that once key community members were informed about local agency, they would participate more actively through it to improve services, and citizens at large would thence become informed and aware of local agency.

Follow-up surveys were undertaken in the same 280 villages in March 2006, 3-6 months after the information campaigns were implemented, and we are currently in the process of analyzing impact. The most surprising fact emerging is that the campaigns did not lead to any improvements in citizens' lack of knowledge of local agency, specifically of the formal education committees. We also find no effect on school performance and learning, but this is less surprising given the narrow time frame in which we attempt to measure impact, and our field experience which suggested that the odds were heavily stacked against the interventions with existing public apathy to learning. But at the very least, if community participation is to have any hope of influencing service delivery, we expected a significant number of citizens to become aware of the existence of local education committees and its potential role in improving service quality.

In sharp contrast to this experience with education services in India, a similar experiment with citizen participation in health services in Uganda resulted in substantial improvements in service provision in village health clinics, reductions in under-five child mortality, and weight-gains of infants (Björkman and Svensson, 2006). Why these experiences are so different requires more time to answer convincingly—these results are only just emerging. However, we explore some preliminary hypotheses below for why experiences might be sensitive to local context.

All of the approaches for “information campaigns” described above are based on the assumption that information alters the incentives of frontline service providers and local bureaucrats by mobilizing citizens for collective action. However, a large literature on local participatory institutions suggests that success is context-specific – some areas with pre-existing institutions of civic engagement might succeed, whilst others with entrenched social inequalities might fail (Baland and Platteau, 1999; Mansuri and Rao, 2003). Poor people might indeed be well aware that teachers, doctors and local officials are not doing their job, but feel powerless to change anything because teachers and doctors are

elite members of the community, or people with political influence. Drèze and Gazdar (1996) recount how a village school in Uttar Pradesh can be non-functional for as long as ten years due to teacher absenteeism and shirking, without any collective protest being organized. Developing countries are characterized by historical institutions of social inequality and social polarization whose impact is persistent (Banerjee and Iyer, 2005), which likely makes local collective action for improvements in public goods for everybody difficult to sustain.

Furthermore, Keefer and Khemani (2004, 2005) argue that public service providers have weak incentives to improve performance quality because their jobs are protected by political agents – politicians have stronger incentives to provide secure public-sector jobs as teachers, health workers, and local bureaucrats, than to pressure these job-holders to improve service delivery. If information campaigns are designed to galvanize local collective action to improve local services, they might be successful in temporarily improving outcomes around the campaigns, but the political analysis suggests that their impact will die out once “politics-as-usual” kicks in unless they also change broader political incentives. From this perspective, it would be worthwhile to study successful experiences like the one in Uganda analyzed by Bjorkman and Svensson (2006) over time to see if the impact is sustained.

### *Information campaigns to change political incentives*

A different strategy for an information campaign is to address the political market failure directly. Information failures are one way of accounting for the observation that even widespread participation by the poor and disadvantaged does not guarantee that public policies are sufficiently geared towards providing broad services that promote human development outcomes (Keefer and Khemani, 2004, 2005). Citizens appear to pay more attention to policies designed to provide them with private transfers, rather than to the quality of broad public services, possibly because informational problems make it difficult for them to assess politician contributions to the quality of public services as opposed to the provision of visible inputs (Mani and Mukand, 2002). Politicians therefore prefer to expend resources in constructing schools and clinics and hiring workers on public pay rolls, even if schools are empty and health workers are absent, as they get some credit for the easy to observe building activity and the provision of public employment, but little or no credit for the quality of services available.

Such political incentives in the state of Ceara in Brazil were tackled head-on through massive information campaigns by a state government that took office in 1987. The state government flooded radio airwaves with messages about how infant and child mortality could be drastically reduced through particular public programs of municipal governments, thus bringing political pressure to bear upon the mayors to actually deliver basic health services. The state also created a new class of public health workers through a publicized recruitment effort that conveyed information to communities about the valuable role the workers could play in improving public health through community-wide effort.

Such information campaigns have been credited with bringing a remarkable turnaround to the politics of the state—from being “clientelist” and patronage-based, to becoming service-oriented (Tendler, 1997). Tendler (1997) describes how in only a few years this government tripled the coverage of measles and polio vaccination to 90 percent of the child population, and accomplished a fall in infant deaths from 102 to 65 per thousand births.

Based on the view of information as a “political market failure” and the evidence from Brazil, this paper proposes the following idea for an information campaign. First, pinpoint two or three major development outcomes that public policies in a country are designed to address. Let us consider three outcomes, that are included in international Millenium Development Goals as possible to address through public agency and resources: 1) child school enrollment and literacy; 2) under-five child mortality; and 3) incidence of communicable and preventable disease. Collect government documentation and official opinion on what public programs and policies have been designed to address these development indicators, what resources they have been allocated, and summarize how the government plans to achieve these ends. Second, collect data on the development outcomes that is representative at the level of the smallest political unit in a country—a local government or an electoral district. That is, develop indicators for district  $d$  along the following lines:  $x$  percent of children between the ages of 7 and 10 (say) are not in school,  $y$  percent of all births results in death before the age of 5, and,  $z$  percent of households suffer debilitation of their main income earner from a widely prevalent (though preventable) communicable disease. Such information is difficult for media markets to generate even if they are responsive to poor listeners and viewers, even if there is freedom of information legislation, and even if such indicators are likely to be “newsworthy”.

Generating this data on a regular basis with a specified interval, such as every two years, if not annually, through politically independent and credible agencies, using objective statistical techniques, is the most costly and difficult part of this idea. If financed by within-country public budgets and delegated to a bureaucratic agency, such as a national statistics bureau, *perceived* risk of political manipulation might be so large as to make the data non-credible to citizens, even if actual manipulation might be prevented. What is perhaps more likely to succeed, if at all, is financing by a group of domestic citizen associations or a group of international aid agencies, with widespread credibility as non-partisan and non-ideological agents in development, and subsequent competitive procurement of independent and private research organizations to undertake the data collection.

This is daunting, so the immediate proposal is to experiment with the idea on a small scale, by identifying a context in which credible and reliable data *can* be produced by an independent agency. Once the data is produced the dissemination strategy can range from minimalist to intensive interventionist. At a minimal level, the data on development indicators, and the government documentation on public programs designed to address them, should be visibly and accessibly placed in the public domain, perhaps with a press release by the independent agency. We can then monitor if and how these indicators become a part of public debate, and more specifically whether they become part of

the policy platforms on which elections are contested. Finally, we can evaluate whether making such data and information available eventually improves public policies and the development indicators.<sup>2</sup> The assumption behind why such a minimalist strategy might work and is worth testing is that local media markets and civil society organizations would pick-up and publicize these indicators on their own because they are dramatic demonstrations of development, or lack thereof, at politically relevant levels of aggregation; and because by dissociating the production of the data with its dissemination it might be easier to establish the credibility and political independence of the data producers.

At an intensive interventionist level, this campaign might partner with local NGOs and civil society organizations, with local credibility in genuinely working towards improving development outcomes, to share the information with citizens through participatory methods like the “report card” campaigns discussed in The previous section. The difference with the “report card” campaigns that have happened thus far is the nature of the information being shared—combining public education about public policies with measurable and regularly available indicators of their success or failure at the level of politically-relevant jurisdictions.

At an intermediate level of intervention, brief advertisements might be prepared for district-level radio and/or TV broadcasts announcing the district’s development outcomes, relative to the country or regional average, and the official view of the major public policies being pursued to address them, ending with an advocacy message that citizens should raise questions with their political representatives on how these outcomes can be improved. These advertisements need to be designed to capture the attention of a large number of people, so they are likely to be brief, but can alert listeners to newspaper advertisements for more details. That is, the radio and TV spots could be followed by a newspaper advertisement which provides the same information in writing, with some more detail. This campaign could be intensely pursued both around elections and in the middle of a political term in office. After an initial investment in directly publicizing these district-level development indicators, and official view of public policies designed to address them, the development agency engaged in this effort can revert to the minimalist agenda of ensuring public availability.

The driving assumption behind the idea proposed here is that the information constraint that reduces government accountability for broad development outcomes cannot be usefully viewed as simple “lack of” information, and hence be addressed by providing more and more information, because of serious limits on people’s cognitive abilities. Recent work on the psychological underpinnings of social communication indicates that getting information to have the desired impact on actual outcomes is a particularly difficult mechanism design problem (Lupia, 2003). The problem is as follows—suppose there is a target audience that lacks sufficient information to accomplish certain tasks; what kind of infor-

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<sup>2</sup> In keeping with cutting-edge evaluation methodology, the strategy to evaluate impact can be one of randomized experimentation. Data on development performance could be collected for a selected sample of jurisdictions in a small geography, and the information would be revealed in the first and experimental stage for only a randomly chosen sub-set of jurisdictions constituting the “treatment” group. The group whose information would be collected but not revealed would be the “control” group.

mation and dissemination strategy is necessary and sufficient to give the target audience the requisite skill to accomplish those tasks? Lupia (2003) provides a framework for thinking about the content and nature of information dissemination—that it should be designed to maximize the possibility that the target audience digests and retains the information, and actually uses it when making a choice for which it is relevant.

If the target audience is poor citizens in developing countries, and the task is for them to hold their governments accountable for basic development outcomes, the new idea proposed here is based on the assumption that providing information on the final outcomes, which have dramatic value, to large numbers of citizens can shift public focus to these outcomes, and make them politically salient in the sense that voters can coordinate on them as the basis for evaluating their governments. Such coordination is likely to be further facilitated if these indicators are developed at the level of electoral districts or local governments, because they can then be used to compare performance across political jurisdictions, thus generating yardstick competition among political representatives.

Voter coordination and yardstick competition among politicians on the basis of development outcomes shifts the burden of designing policies and allocating scarce public resources effectively to accomplish them, onto political representatives with access to “experts”. This is similar to ideas in the literature on corporate governance where the principal-agent problem is almost identical—there are multiple principals, “shareholders”, with attendant problems of collective action and lack of expertise, and agents, “managers”, whose actions and their impact on outcomes, “profits and dividends” are difficult to observe and understand. Prat (2005) draws upon this literature to show that if the agent is an “expert” and principals are amateurs, the expert agent’s interest will be more aligned with the principals’ interest when the latter is informed about the consequences of the agent’s actions rather than the actions itself.

The above is an idea, not a formal argument based on systematic evidence on what people know of development outcomes and public policies, nor on systematic evidence on how poor people evaluate governments, because of lack of such evidence from developing countries. The proposal here is for a policy-relevant research program that collects such evidence, designs a campaign along the lines suggested above, experimentally implements the campaign in a few jurisdictions, and evaluates impact in terms of changes in politics, public policies, and finally, the development outcomes.

### *Conclusion*

This paper has argued that there is a role for information campaigns to shift the platforms of political competition in developing countries away from inefficiently targeted programs such as public-sector jobs and subsidies and on to broad public policies that effectively (and efficiently) promote basic development outcomes. It has presented a proposal for a specific kind of campaign that requires investment in collecting and publicizing data on development outcomes—such as child literacy and mortality, and incidence of preventable diseases—representative at the level of politically-relevant jurisdictions, such as the lowest level of government or an individual electoral district. The broad

objective of such investment is to make governments in developing countries more accountable to their citizens for basic development outcomes. This objective appears to be the cutting-edge of international aid policy, as it has moved from viewing development assistance merely as a means of transferring resources to credit-constrained environments, to viewing it as a means of building local institutions for self-sustained growth. Experimenting with such a campaign would be valuable because if it works it is a specific instrument that international and local development agencies could use to address often intractable political obstacles to serving the poor.

As discussed in the introduction of the paper, international donors are already engaged in collecting data on governance indicators at the aggregate national level, and using these as the basis for targeting aid. The arguments in this paper suggest that this approach could be extended, with multilateral financing of data collection on development performance at disaggregated and politically relevant jurisdictions within countries. Aid might be conditioned on the regular production and public release of such data by credible and politically independent agencies, so that citizens might use them to hold their own governments accountable.

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## 6. When do the Poor Demand Better Services? Accountability, Responsiveness and Collective Action in Service Delivery<sup>1</sup>

*Anuradha Joshi*

### *Introduction*

Public services in poor countries continue to fail poor people. Recent tracking of progress on the Millennium Development Goals shows that several countries in Africa and Asia are still behind in providing basic services of education, health, water and sanitation to poor people, despite the focused attention paid by the international community to the issue (ESCAP, 2005). There is evidence that although in some countries increased spending on public services is necessary, in many others, money is not the issue.

The problem is an old one. How can we ensure that democratically elected governments use the resources they raise to provide appropriate basic services, especially for the poor? In other words, how can those who exercise public authority be made accountable to the people who have granted them the power to act on their behalf? Recently, two sets of literatures have been converging on similar answers. One, the literature on service delivery reforms, underpinned by New Public Management (NPM), has focused on a separation of policy-making and implementation functions, establishing formal accountability mechanisms such as performance contracts and the creation of customer orientation in service delivery agencies through tools such as citizen charters (Hood, 1991; Manning, 2001). Similarly, the central message of the recent World Development Report on “Making Services Work for Poor People” is that service delivery can be significantly improved by strengthening accountability mechanisms between three sets of actors: policy-makers, providers and citizens (World Bank, 2003).

Second, the literature on new ways of deepening democracy through direct citizen participation expects that the creation of formalized participatory spaces will democratize and rationalize the state and offer marginalized groups a say in policy-making. Direct participation is viewed as a way of filling the ‘democratic deficit’ that beleaguers traditional representative democracy (Gaventa, 2006; Heller, 2001). Some authors see participation in such ‘invited spaces’ not only as a possible avenue for articulation of preferred public goods but as a means of civic education, the creation of engaged citizens (Fung and Wright, 2003). The answers to improved service delivery offered by these literatures empha-

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<sup>1</sup> The ideas in this paper critiquing the WDR were developed in collaboration with Ann Marie Goetz and Mick Moore at IDS. The focus on the impact of reforms on collective action presented in this paper is the product of a collaborative effort with Peter Houtzager (IDS) and Adrian Gurza Lavalle (CEBRAP, Brazil) and part of a larger research project comparing urban basic services in three large metropolises in the developing world supported by the DFID-funded Centre for the Future State at the Institute of Development Studies. I am grateful for the comments and suggestions received from participants in the seminar on “The politics of service delivery in democracies” hosted by the EGDI in Stockholm, 27-28 April 2006.

size two features: a) *formal* systems of direct accountability and b) *direct* (often individual) citizen participation in policy-making and implementation.

This paper examines two sets of issues that arise from these prescriptions. The *first* set relates to some of the problems of relying on formal, direct accountability mechanisms for service providers—the problem of ‘watching the watchdogs’, the transactions costs of direct action, the danger of being misled by arrangements that contain little effective accountability and the fact that in poor countries, much service delivery is accomplished through informal institutions in which accountability may be difficult or obscure. There might be other, perhaps informal arrangements through which accountability might be effectively established in contexts where formal direct mechanisms are difficult to establish or enforce (Masud, 2002). We also emphasize the need for placing some trust in public service providers, particularly at the frontline, rather than subjecting them to more and more accountability.

The *second* set of issues relates to the assertion that it is individual citizen action of some form – through choice or voice mechanisms in particular – that will increase accountability and responsiveness of providers. There is of course an underlying assumption that institutional changes that increase voice or choice (e.g. decentralization, formalized participation or pluralization) will automatically lead citizens to engage with providers, make demands and elicit greater responsiveness. In fact, there is little evidence to suggest that *individual* citizens are effective agents in holding either public or private providers to account, and securing greater responsiveness. Rather, *collective action*, particularly for poor people, seems essential if direct accountability is to work. The emphasis then has to be on understanding the conditions under which collective action influences service delivery in terms of policy-making and implementation. Further, we also need to understand the impact that recent reforms of the state (decentralization, participation and pluralization) have had on the ability of citizens to act collectively. Both these issues have received relatively little attention in the literature.

We argue in this paper that responsiveness and accountability in service delivery, at least to poorer sectors of the population, depend on the one hand on the ability of users/beneficiaries to engage in collective action and on the other on the ability of the state to negotiate consensuses between competing demands. Collective action by users contributes to more responsive governance when the state is able to lead a process of consensus construction. Collective action without negotiation can lead to either demand overload or policy fragmentation, as public officials respond to multiple particularistic demands, or can lead to new inequalities because some groups of people have greater capacity to engage in collective action than others.

The key questions then are: under what conditions are poor people likely to engage collectively and demand better services and accountability in the context of service delivery reforms outlined above? And what kinds of reforms are needed within the public sector to increase the capacity of public officials to engage with citizens directly and create incentives for increasing responsiveness?

The paper is organized in the following manner. Sections two, three and four deal with the issue of formal direct accountability. In section two, we outline some of the key propositions of those that emphasize direct formal accountabi-

lity as exemplified in the WDR 2004 and point to some key distinctions that we need to make regarding accountability as a concept. In section three we point to some problems with overemphasis on direct accountability, and section four highlights some useful alternatives. Sections five and six relate to the issue of direct citizen participation. The policy prescriptions of decentralization, pluralization and institutionalized participation and their expected outcomes are briefly outlined in section five. In section six, we discuss why individual direct action might be problematic and why a focus on collective action is important in a) understanding the extent to which direct action can improve services and b) understanding the actual impact of prevailing service delivery reforms. Section seven concludes.

### *Accountability*

A recent and powerful analysis in the World Development Report 2004, “Making Service Work for Poor People”, identifies the fundamental problem of service delivery as one of accountability failures. The central argument is that accountability relationships between the key stakeholders in service delivery—citizens, policy-makers and service providers—are not transparent, formalized or effective. This, the report argues, leads to a whole host of problems that plague services—inadequate spending on basic public services, the skewing of the services that are provided towards the rich, inadequate coverage particularly for the poorest, lack of resources at the point of delivery, corruption, absenteeism of staff and poor quality (World Bank, 2003).

The problem is evident in the three sets of relationships between three sets of actors. First, mechanisms to ensure that governments adopt policies that meet the needs of their citizens (including the poorest ones) are weak. Politicians simply do not have incentives to improve service delivery when political institutions enable them to win and retain power by appealing to religion, caste or ethnicity rather than developmental performance. Citizens have few channels to make themselves heard other than through the ballot box. The lack of information on the performance of politicians, social fragmentation along religious and ethnic lines, and a lack of credibility among the population regarding political promises, creates a climate in which there are few incentives for politicians to focus on improving services (Keefer and Khemani, 2003). Policy-makers in turn do not have effective ways of holding service providers accountable. This can be a particularly acute problem when providers are part of the state itself (as is common in many countries where services are directly provided by the state) and there is little transparency or clarity about expectations and responsibilities. Finally, in most polities there are few mechanisms for citizens to hold service providers directly accountable for service delivery.

There are four main elements to the WDR 2004 framework:

- a) the notion that politics is central to outcomes
- b) an analytical and prescriptive focus on accountability
- c) use of the principal agent framework to analyse the problem, such that citizens are viewed as the principals in the service delivery relationship and are required to hold the agents (service providers) accountable

- d) an emphasis on the need for direct accountability of providers to citizens.

The WDR framework centres on improving the quality of contracts or compacts between the three sets of actors by analyzing them as principle agent relationships. In such analysis, improving the quality of contracts involves introducing greater rationality and clarity in the delegation of tasks, more transparency, closer monitoring of performance, and introduction of stronger incentives for outcome-oriented performance, greater information about the quality of service provision to users including the causes of performance failures, and more effective and immediate sanctions for poor performance. While responsibilities are largely centred on policy-makers and providers, citizens are expected to monitor and hold providers accountable through direct mechanisms.

This focus on accountability is important and welcome. To advance the discussion and see how accountability impinges on outcomes, we distinguish four important dimensions of accountability.<sup>2</sup> First, there is the extent to which accountability mechanisms are procedural or substantive. In other words, are public officials examined on the basis of having followed precise, established operational procedures or are they required to undertake actions in order to meet some substantive outcome goals that meet the preferences of groups of citizens? The latter is likely to be more potent. Second, there is the extent or scope of accountability. As recent literature suggests, accountability is comprised of two distinct elements—a) *answerability*—the need for a descriptive account of and justifications for public actions and b) *enforcement*—the need for mechanisms to sanction unsatisfactory actions or justifications of those actions (Schedler, 1999). Without some penalties for poor actions or poor justifications, simply requiring answerability is not adequate and can lead to frustration and a lack of faith in the process. The threat of appropriate sanctions is key to the effectiveness of accountability mechanisms. Third, recent authors have distinguished between accountability and responsiveness (Goetz and Jenkins, 2004)

While accountability is limited to the following of set procedures or reaching certain goals, responsiveness requires public officials to be responsive to the needs of ordinary people, to be fair and listen to divergent views and to follow processes for deciding between competing claims. As rules and procedures are unlikely to cover all the situations that public officials face, they invariably exercise a degree of discretion in carrying out their duties. Responsiveness entails ensuring that such discretion is exercised fairly and without bias against some groups. In practice, ensuring responsiveness is difficult particularly in the basic services when the tasks of providers are diffuse and hard to define and the outcomes of their work are difficult to measure (Wilson, 1989). Fourth, there are the channels or mechanisms through which accountability is ensured. There is a distinction between a) vertical accountability—the ability of voters to hold politicians and policy-makers to account through the electoral process; b) internal horizontal accountability—through which state agencies check one another; and c) direct accountability—the ability of citizens to hold providers directly to account without going through the electoral channels (O'Donnell,

<sup>2</sup> There is a large literature on accountability. For a recent overview see Goetz and Jenkins, 2004.

1999). It is on this last dimension of accountability that the discussion of the next section is centred.

### *Problems with relying on direct accountability*

#### Costs of relying on citizen voice

Overemphasis on citizen voice—relying on citizen demands for accountability—can be problematic, particularly for poorer citizens. It places those in the weakest position to challenge elites at risk, in situations where they have to openly confront public power holders. It is also unrealistic, for the poor are less likely to have a strong ‘voice’ or the resources that enable their ‘voice’ to be heard, such as connections with elites, time, education and money. For example, by invoking formal accountability channels such as the courts, the poor bring the conflict between service providers and themselves out into the open. In the reality of micro politics at local level, providers have considerable leeway in interpreting how they do their jobs. For the poor to actually benefit from pro-poor policies, there needs to be a degree of sympathy and understanding between frontline providers and the poor, so the frontline providers interpret their work in a pro-poor fashion. Gauging the extent to which this working relationship will be damaged, can be withstood or sacrificed in the interests of larger political gains is a key consideration for the poor in using formal accountability mechanisms. The logic of a strategy relying on citizen voice for improving services, moreover, is not borne out by experience. Many voice (and citizen) friendly reforms such as decentralization, new spaces for direct citizen participation, the right to information about legislation or improved access to justice have often been initiated out of political calculation, rather than pressure from below.

#### Accountability of accountability institutions

Initiatives emphasising citizen accountability that seek to create mechanisms for external monitoring processes parallel to official state-led mechanisms have problems as well. These are often led by civil society organizations that raise their own issues of legitimacy, basis of representativeness, and controls on power. Their work can be questioned by opponents and often has limited impact. Moreover, who is to monitor the accountability of autonomous accountability institutions (O’Donnell, 1999)? Finally, such institutions, if powerful themselves can become battle sites for political influence rather than autonomous and independent bodies representing the public good.

#### Sidelining traditional politics

Accountability initiatives that emphasize direct action by citizens and seek to bypass political institutions underplay the role of standard politics in service delivery reforms. Reforms that seek to improve services are complex and require complex manoeuvring, including the demobilization of opponents, the buy-in of important stakeholders and the creation of broad support coalitions (Goetz, et al., 2004). Political parties are well placed to juggle these various interests, even if their processes might not be transparent or accountable. In

the end, the developmental logic for reforms has to match a political logic for reforms, without which reforms are unviable. In fact, cases of successful policy delivery—education in Kerala and Madhya Pradesh in India, or health policies in Brazil—are clearly rooted in the initiatives of mass-based political parties. Detailed examination of some of these initiatives reveals that ‘scheming for the poor’, as the title of Ascher’s book on reforms in Latin America suggests, is an important part of the story (Ascher, 1984). In other words, these reforms often come about through the ‘politics of stealth’ rather than through the insulation of policy-makers, the separation of policy-makers from providers or the amplification of citizen voice. Understanding how service delivery works must include an appreciation of the processes through which political bargaining occurs and the role of politicians and political parties within them.

### *Alternatives to direct accountability*

#### **Informal institutions**

The WDR framework for service delivery emphasises formal accountability mechanisms including citizen compacts and provider contracts. Such a focus on formal accountability mechanisms could lead to a relative neglect of informal institutions and their potential influence on service delivery. Informal institutions, often based on clan, kin, religion or ethnicity, can have a considerable impact on service outcomes (Leonard, 1977). At their best, informal institutions within the state are exemplified by a sense of ‘public service’ that can permeate organizations to produce committed, honest public officials. At worst, informal institutions can sustain networks of corruption and rent seeking. Boundaries between informal institutions within and outside the state are not strict—they overlap and often operate across the public-private divide.

Informal institutions are often perceived negatively, as constraining the proper operation of formal political systems and limiting accountability. They are seen to prevent users of public services from mobilizing broadly on the basis of shared interests in improved service provision. There is some basis of truth in such negative views. Indeed, informal institutions can be inequitable—internally, when discrimination against some members of the group (women, elders, lower castes etc.) is accepted and justified, as well as externally, when there is discrimination against outsiders.

Yet research shows that such negative beliefs are not universally true. Research shows that the introduction of local level elected formal institutions in India (through the passing of the Panchayati Raj Act) strengthened traditional institutions which in turn contributed to improving the performance of formal institutions (Ananthpur, 2004). The Citizen Police Liaison Committee (CPLC) in Karachi is another case in point (Masud, 2002). Since 1989, the CPLC has been directly involved in supporting core policing activities in the city. The collaboration between the police and the CPLC violates our ideas of the separation of public and private interests in a core area of state activity. However, a strong web of informal relationships between the forty wealthy businessmen



that comprise it and society at large that revolve around trust, reputation, shared interests and careful institutional design has enabled it to establish credibility and become accountable despite the lack of formal contractual arrangements. If service delivery improvements are to be realized in difficult contexts such as these, reformers will have to consider how these informal institutions and systems of insider privilege can be reformed to work with formal accountability systems rather than against them.

### **Trusting public workers**

Finally, focussing primarily on formal accountability mechanisms is problematic because it creates an atmosphere of mistrust in public officials. The central assumption of the principal-agent model on which the WDR 2004 is based is that public servants cannot be trusted not to abuse the discretion they enjoy. Once we make that assumption, the policy implications are obvious – the more accountability the better. However, in some situations, for practical reasons, it is very difficult to apply any close or direct accountability because the actions of providers are not easy to monitor (field workers in rural areas for example) and it is also difficult to access the effectiveness of their work. Attempts to increase monitoring and supervision in such circumstances can have high costs including the costs of monitoring and the demotivation of workers who are placed in a low-trust high-supervision environment.

In such situations, perhaps a better alternative to intensified accountability mechanisms is placing some trust in public providers and focussing on creating an organizational culture of public service. In industrialized countries, both the public and the private sector rely extensively on strengthening professional and organizational service norms. Identification with a profession or an organization can be a very powerful work motivator (Grindle, 1997; Leonard, 1977; DiIulio, 1994).

Professional associations and related public sector unions are important actors in the creation of a public ethos. Yet they have been relatively neglected in the delivery of services.<sup>3</sup> Such organizations can be useful in improving service quality in contexts where mainstream accountability mechanisms are weak and regulation is unlikely to be successful due to capacity constraints.<sup>4</sup> At their best, they can reinforce professional ethics and mutual accountability. Membership of professional associations can be a means of creating a reputation and branding when other accountability mechanisms are weak and when it is difficult for citizens to gauge *ex ante* the quality of services provided. They can also be channels of dissemination, legitimization and institutionalization of new practices and innovation (DiMaggio and Powell, 1983). By bringing together professionals within and outside the public sector, professional associations are in a better position to address issues of quality and effectiveness.

At the same time, professional associations and public sector unions can be

<sup>3</sup> While not the same, professional associations and public sector unions often overlap.

<sup>4</sup> In Pakistan, Population Services International has promoted an innovative branding initiative in healthcare—the Greenstar network. The Greenstar logo is widely known to provide reliable services of consistent quality and has managed to reach a significant proportion of the population. More information available at [www.psi.org/resources/pubs/gstar1.html](http://www.psi.org/resources/pubs/gstar1.html)

the biggest obstacles to improvements in service delivery. Public sector unions and professional associations are often viewed as organizations interested in retaining their monopoly over certain forms of expertise. The WDR itself, while acknowledging that unions could be agents of change (World Bank, 2004: 60), only offers examples in which unions have been an obstacle to reformist initiatives (ibid: 51, 129). For example, teachers' unions in Latin America opposed decentralization and increased school autonomy because this threatened union strength and did not focus on issues of interest to them – those of wages and working conditions (Grindle, 2004).

Because of relative neglect of their roles in *improving* services, we know little about the conditions under which professional associations and public sector unions might take a progressive stance. The key issue for understanding the position of public sector unions and professional associations towards service delivery reforms lies in the tension between their role as professional organizations interested in advancing professional knowledge, maintaining professional ethics and advocating on policy issues, and their role as collective bargaining organizations interested in protecting livelihoods and improving working conditions for members. When their union role dominates, they have greater support from within the membership; when their professional role dominates, they are more likely to gain broader support within society and advocate for reforms that benefit society at large, including the poor (Espinoza, 2000).

### *Policy prescriptions: voice and choice reforms*

The policy prescriptions that follow logically from the dominant analysis outlined in the second section (and the WDR 2004) are a) to increase citizen voice by providing citizens various opportunities to influence the provision of services by targeting policy-makers and, more importantly, directly targeting providers, and simultaneously b) to increase choice through the pluralization of providers and the use of demand-based approaches. The policy prescriptions of the WDR emphasizing accountability parallel three broader reform trends that have emerged in the past two decades—those of increasing *pluralization* of providers, *decentralization* and *citizen participation* in the delivery of basic services.

*Pluralization* is expected to increase choice by increasing the number of providers and the variety of services they provide. Pluralization also entails the separation of policy-making and provision, thus increasing the ability of policy-makers to sanction poor performance by providers. Privatization of services often accompanies pluralization. By allowing non-state providers to flourish, the market is expected to cater to the needs of greater diversity, enabling users to choose the providers that best meet their needs in terms of price and quality. Commonly used alongside pluralization are demand-side mechanisms such as vouchers that stimulate competition between providers to improve service performance. These involve the channelling of resources directly to households or third-party institutions responsible for securing services for a defined group of people who can then choose the best provider. The advantages of such approaches are that they ensure resources reach intended beneficiaries and that they strengthen institutions that can influence providers to perform better

(Standing, 2004). In Bangladesh, under a government programme, the provision of stipends for girl scholars has improved their enrolment in schooling, enabled families to choose the schools they go to and reduced drop-out rates (GHK, 2005). The Bolsa Familia programme in Brazil provides financial support to poor families under the condition that families keep their children in school. While these programmes provide incentives for poor families to prioritize education and choose their preferred facility, they also, by increasing choice, create incentives for providers to respond and strengthen the power of users vis-à-vis providers.

Institutionalized participation and decentralization are expected to improve voice and consequently provider responsiveness (Malick, 2006). Traditionally, service delivery has relied on formal political systems to ascertain citizen needs, yet in many cases these systems have failed. A variety of mechanisms to strengthen voice are commonly advocated. Formal computerized complaint systems, single-window cells, and citizen charters are being used to increase the ability of users to interact easily and directly with providers. In Hyderabad, India, toll-free complaint numbers installed by Metro Water (the semi-autonomous water authority) have been used successfully to log complaints as well as being a management tool to improve frontline employee performance (Caseley, 2003). Streamlining of the complaint system for all urban services in Mumbai by an NGO-initiated and managed information system has been successful in reducing the time taken to resolve complaints as well as in holding responsible departments accountable (PRAJA, 2000). Decentralization reforms are a part of this strategy. Decentralization gives providers a more direct presence in people's communities, easier physical access to public officials and a greater stake in improving services as a result of greater use. As a result, the responsiveness and accountability of providers are expected to increase. Yet in the examples given above, while services have improved for the middle class, the impact of the reforms on the poor is not as unequivocal.

Thus, while the emphasis on voice and choice through formal accountability mechanisms is important, there are likely to be constraints to their operation in many contexts.

### *Collective action and state responsiveness*

The common policy prescriptions of increasing voice or choice outlined above, including those in the WDR 2003, rely heavily on direct individual citizen action of some form that will lead to increased responsiveness and accountability. This is problematic for several reasons. To begin with, there is an underlying assumption that institutional changes (e.g. decentralization, institutionalized participation or pluralization) will automatically lead citizens to engage with providers, make demands and elicit greater responsiveness. As highlighted earlier, there are high transaction costs for exercising voice, particularly for poor people. Moreover, it is not clear that, even if adequate incentives existed for poor citizens to engage and make claims, individual citizens would be able to do so. In fact, there is little evidence to suggest that *individual* citizens in poor communities are effective agents in holding either public or private providers

to account, and securing greater responsiveness. Second, the proposed reforms will not automatically increase state or provider capacity to respond; demand overload from citizens can lead to policy fragmentation and provider frustration. These issues are discussed below.

### **Collective action**

Rather, collective action seems essential for the poor if direct accountability is to work. Theories of collective action and social movements as well as empirical work on good governance and the rights revolution suggest that whereas individuals have little power to influence public action, collective actors can (McAdam, et al., 2001; Tandler, 1997; McCann, 1994). At the level of policy there is experience suggesting that engagement by collective actors representing the poor has in fact made public services more responsive to their needs. The recent classic cases are the role of the health movement in Brazil in securing universal public health care (Duarte, This volume) and the role of social movements in the securing of the right to work and the right to information in India (MacAuslan, forthcoming; Pande, forthcoming). Furthermore, the existence of such collective actors creates constituencies for the services in question that make it more likely the reforms will be sustained over time (Skocpol, 1992). At the level of implementation, collective actors can increase the credibility and uptake of reforms as well as pressurize providers to implement reforms.

There is a large literature on collective action that outlines some of the circumstances that enable (or constrain) collective action, an area that is beyond the scope of this paper. Here, we argue for the need to focus attention on a narrower but important question—what happens to collective action by service users/beneficiaries when we move from large-scale public delivery to small-scale (decentralised or fragmented) privately-mediated delivery (through subcontracting, outright privatisation, provision through charitable organizations)? And, how does such a move affect the state's ability to negotiate agreements/consensus around policies? The question is important because polity centred analyses suggest that the way state institutions are organized will influence who engages in collective action and around what types of issues. Pluralization, decentralization and institutionalized participation impact on the incentives faced by potential collective actors. Insofar as the literature deals with the question, there is an assumption suggesting a positive impact of these changes on collective action (Robinson, 2007).

Yet there are reasons to be cautious about such optimism. The literature on collective action and social movements shows that direct public provisioning can facilitate the construction of alliances between groups of poor citizens and reformist professionals within the state involved with service delivery (Fox, 1992; Joshi, 1999; Tandler, 1997). These alliances are often forged out of direct experience with service delivery. Location of providers *within* the state can increase their institutional leverage over policy issues (Watson, 1996). Another potential causal factor is 'targetness' – that is, it is easier for people to mobilise against a large single target whose actions directly affect many people (McAdam, et al., 2001; Houtzager, 2003). This is more likely to be a government agency than either a single monopolist or a diverse set of non-state providers. A large single provider creates a base for collective action: an interest

shared by large numbers of people. In addition, government agencies normally work within spatially-defined jurisdictional boundaries that coincide with the boundaries of the electoral process, and thus those of political organisations. This overlap in jurisdictional and electoral boundaries increases the potential leverage of political action by citizens (Tarrow, 1998). In contrast, professionals in non-government provision lack leverage within the state to initiate pro-poor reforms; non-government providers tend to be fragmented; and they are driven by market competition and other interests that can prevent them from responding to citizen needs.

The extent to which state reforms of decentralization, pluralization and participation enable or constrain collective action is also dependent upon the entitlements people are perceived as having. There is a growing body of work that shows how universal legal rights facilitate collective action by the poor (McCann, 1994; Hunt, 1993; Joshi and Moore, 2000; Joshi, forthcoming). There are several reasons. First, legal rights create collective interests that cut across social divisions, hence making it possible for larger collectives to form and mobilize. Second, collective action around existing legal rights provides a degree of legitimacy – the ‘rightfulness’ of one’s claims – that both facilitates alliance-building with other groups and, relatedly, reduces the risks of state repression.

In sum, voice and choice reforms impact on collective action in different ways. Choice-enhancing reforms may fragment potential collective actors. Institutionalized involvement of collective actors in the recently emergent new spaces for participation can create real incentives for beneficiaries, potential beneficiaries and those representing them to organize and engage collectively with public officials and policy. In addition, a legal right to participate in policy-making processes can enhance the ability and willingness of the urban poor to do so. We need research to understand these processes further in order to assess the potential of different sorts of reforms to both improve service delivery and enhance collective action.

### **State responsiveness**

The reforms – pluralisation, decentralization and citizen participation – proposed to improve services not only assume citizen capacity and willingness to engage, but also assume provider capacity to respond to citizen demands. Policy-makers and public officials are expected to take on new roles from ‘direct providers’ to ‘enablers’ through regulation, engaging with citizens, adjudicating competing claims and negotiating policy changes. These capacities are unlikely to emerge automatically and require significant reforms within the public sector including recruitment, training and organizational changes – reforms that are aimed at changing the incentives and organizational culture within agencies. And there is no reason why public agencies that performed poorly on direct provision are likely to do any better at carrying out these new, and more challenging tasks.

In fact, there are few studies examining the changes in public officials’ ‘work culture’ as a result of these reforms (for an exception see Crook and Aye, 2006). A large-scale study that examined public service reforms in Asia and Africa concluded that reforms largely failed primarily due to the inability of public officials to take on the new tasks of regulation and citizen engagement and

the lack of citizen participation in or support of the reforms (Batley and Larbi, 2004). There needs to be greater attention paid to the roles and work culture of frontline workers at the 'cutting edge' of the state/provider-citizen interface (Tendler, 1997). Their actions (or inaction) to a great extent determine how services are experienced by citizens (one can see this in the impact of teacher absenteeism on education). Without understanding how reforms impact their work culture and building capacity to deal with their new roles, it is unlikely that accountability mechanisms alone will improve performance.

### *Conclusions*

Recent thinking about service delivery reforms seems to have coalesced around two features – direct formal accountability and direct citizen action. There are good reasons why we should pay attention to these features of service provisioning systems – they have the potential to improve services through increased accountability. They also appeal to broad constituencies by offering simple ways of thinking about a wide diversity of issues in a wide diversity of environments.

Yet such simple frameworks also obscure the ways in which service delivery and accountability may work in the complex political and social environments of developing countries. Service delivery reforms will be more sustainable to the extent that they are a product of political negotiation between states and citizens. We have argued in this paper that we need to pay greater attention through empirical research to collective actors – the way in which reforms impact their ability to engage as well as the extent to which their involvement is likely to lead to better service outcomes. Understanding of these issues will enable us to judge whether and under what conditions the high expectations of direct citizen action are justified. We also suggested that new capacities are needed within the state and provider organizations that will have to be consciously built before the benefits of accountability-driven reforms can be reaped.

In terms of reforms, what this means is that greater caution is needed before advocating particular solutions (e.g. privatization) in specific contexts. We need some empirical testing of the recommendations implicit in the WDR 2004 to understand the conditions under which particular combinations of solutions are likely to be successful. And we need to understand not only the impact of reforms on service delivery improvements, but also their impacts in the long term on collective actors representing the poor as well as their impact on the capacity and organizational culture of public officials.

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## 7. Extending Services over the Last Mile: Bridging the Gap between Intermediate and Local Levels

*James Manor*

### *A current dilemma*

Development practitioners and analysts know that it is difficult to ensure that services and other development initiatives actually reach people at the local level in less developed countries. Many of them also know that special difficulties often arise when development programmes pass downward through the space<sup>1</sup> between the intermediate level (the ‘district’ level in Commonwealth countries, the ‘*departement*’ level in Francophone countries, etc.) and the local (village, town or city) level. In other words, serious difficulties often arise as programmes traverse what we might call ‘the last mile’ before reaching the local level.

This paper argues that this problem is more severe than most people think and also suggests 1) how the gap between intermediate and local levels might be bridged, and 2) how certain approaches can assist in making development initiatives more likely to succeed within that space.

International development agencies, governments and enlightened civil society organisations in less developed countries which seek to improve service delivery, to promote development, and to reduce poverty are flying semi-blind. Their understanding and effectiveness are impaired by the division of labour among social scientists. We know much about events and conditions at the local level – thanks mainly to anthropologists. And thanks to analysts from several disciplines, we know much about events and conditions between the national level and the intermediate level. But we know far too little about what happens in the space between the intermediate and the local level.

This is a serious problem, because it is in that space that service delivery, governing and politics, as ordinary (not least, poor) people experience them, mainly occur. It is there that state and society mainly interact. And – to lend real urgency to the problem – events within that space often determine whether efforts to deliver services and reduce poverty succeed or misfire.

When we consider events in the space between local and intermediate levels, we often know *that* something happened (for example, that an initiative to deliver services failed), but not *why* it happened. We therefore cannot see how things might be changed for the better – even though there appear to be ways of encouraging constellations of actors and of altering processes so as to facilitate service delivery and development.

In addition, there exists an abundance of studies of the *supply* of services

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<sup>1</sup> The use of the word ‘space’ is different from e.g. ‘interface’. ‘Interface’ implies greater proximity and connection between intermediate and local levels than we usually find in the real world. The word ‘space’ is preferable precisely because it does *not* imply these things – the gap or ‘space’ between these levels is often bridged either poorly or not at all.

and of governance initiatives, while the *demand* side has received less attention. This is, in this context, highly unsatisfactory, since we have clear evidence from some less developed countries that people at the local level increasingly reach upward into the space between local and intermediate levels to make demands and get things done (see for example, Karanth, et al., 2004). So this space is increasingly important, as is the demand side of governance.

This paper is especially concerned with ‘politics’ (the interplay of actors, interests and ideas in the pursuit of power). All sorts of actors who have little or no connection to governments operate in the space between local and intermediate levels. They include landowners, labourers, pastoralists, traditional leaders, religious leaders, leaders of castes in South Asia or clans elsewhere, money lenders, petty traders, criminal elements, locally organised self-help groups, citizens-based organisations, and others. Alongside them, we often (but not always) find government actors such as elected members of low-level councils, low-level bureaucrats, line ministry employees and the police. And we often find other actors who are not officials, but who seek to engage with government and play mediating roles. They include small-time lawyers and contractors, members of ‘user committees’ (water users associations, parent-teacher associations, etc.), political party activists, and activists working for civil society organisations that reach down from above towards the local level – plus political entrepreneurs or ‘fixers’ who live locally and reach up into the space between e.g. village and district, to contact government actors and access government programmes.

It is the interplay of these various types of actors that constitutes ‘politics’ within the space between local and intermediate levels – some of which entails interactions with government, and some of which does not. We know far too little about this. But recent studies have indicated that certain approaches are likely to prove promising in promoting service delivery and other development initiatives.

### *The importance of connecting to the local level*

One authoritative analysis of Indian villages (Krishna, 2002) has demonstrated that at the local level, abundant social capital exists and represents a formidable potential source of constructive collective action. But as we shall see, the emphasis in that sentence should fall upon the word ‘potential’.

It is not surprising that we should find this in India which has, for many years, been a consolidated democracy. But more unexpectedly, similar findings emerge from a set of eight case studies of successful development initiatives in five ‘low income countries under stress’ – where the political environment was far less promising than in India. These analyses discovered that even amid ghastly conditions – severe deprivation, serious conflict or even civil wars, or where little in the way of ‘government’ or public order existed – constructive links between individuals and groups at the local level remained surprisingly resilient. They had suffered significant damage, but far less than did political and social institutions at higher levels (Manor, 2007).<sup>2</sup> Here too, we find a significant potential source of constructive collective action.

<sup>2</sup> These studies were conducted in Afghanistan, Cambodia, Mozambique, Timor Leste and northern Uganda.

Despite these encouraging findings, however, both studies indicate that if development – and not least, service delivery – are to make headway, it is crucial that actors and institutions external to localities make connections with and facilitate the emergence of this potential resource at the local level. This point was made most forcefully by Krishna. He found that social capital at the local level tends to remain largely dormant unless it is linked to initiatives and resources originating at higher levels. That is essential if the social capital at the grassroots level is to be activated, and if local energies are to be substantially harnessed.

The findings of the studies of ‘low income countries under stress’ reinforce Krishna’s finding. But they also emphasise that if development programmes originating at higher levels are to succeed, they need to connect with, draw upon, and strengthen the surviving social resources at the local level.<sup>3</sup> It was precisely that which explained the success of diverse development initiatives in a diversity of difficult settings. If this was true both in a highly promising case (Krishna’s India) and in the extremely inhospitable conditions studied in the latter project, then it must be true in all less developed countries.

### *What agencies can bridge the gap?*

Three types of agencies might, in theory, penetrate downward from the intermediate level to the local level: civil society organisations, political parties and government institutions/programmes. We need to consider each in turn, and then examine a fourth set of actors who reach up from below into the space between intermediate and local levels – local-level political entrepreneurs or ‘fixers’. Parties and ‘fixers’ should not be seen as agencies that can become part of development initiatives in the ways that civil society organisations and government institutions can. But they have enough potential importance in bridging the gap between the intermediate and the local level to be examined here.

#### **Civil society organisations**

Much of the literature on civil society is of dubious value for two reasons. First, many writings tend to ignore governments and politics. This is a grievous omission because civil society is strongly influenced – often negatively – by governments, their policies and the politics that grows up around them.<sup>4</sup> Such society-centric analyses leave out a crucial element in the processes under investigation. Second, many contributors to this literature over-emphasise the good news about civil society, so that their writings lack objectivity. This is, in part, understandable – because civil society long received far too little attention and less support than it deserves, and because some of these writings are intended to

<sup>3</sup> These studies also stress the necessity for key figures in development programmes to learn by doing and by listening to people at the grassroots, to proceed in an open-minded manner, and to adjust their approaches often on the basis of lessons learned.

<sup>4</sup> This was an important conclusion of the two largest and most objective investigations of civil society mounted thus far: the studies produced by the Third Sector project and related exercises at Johns Hopkins University, and the Ford Foundation’s ‘Civil Society and Governance’ project, coordinated out of the Institute of Development Studies, University of Sussex.

boost the morale of civil society activists who deserve encouragement. But this tendency still undermines the analytical value of much of this material.

More objective studies raise questions about the capacity and promise of enlightened civil society organisations to bridge the divide between intermediate and local levels in less developed countries. Two problems are especially important here.

First, enlightened civil society organisations often lack sufficient ‘reach’. Their resources are limited, so they cannot engage with large numbers of localities. Thirteen years ago, this writer asked a prominent civil society leader in Bangladesh what proportion of the population of that country was reached by *all* civil society organisations there. His reply was “at best, about 20 per cent”,<sup>5</sup> and recent enquiries indicate that the figure has increased very little since then. That was in a country where civil society organisations are immensely formidable. The figures for most other less developed countries would be less impressive.

To reinforce this point, consider another piece of evidence. In almost every less developed country, development-oriented civil society organisations at the national level *claim* to have networks that extend all the way down to the local level across wide areas. Such claims are not surprising, since they help to attract funding from international development agencies. But these claims are usually inaccurate. In 2002, this writer asked civil society specialists at two very different organisations – the World Bank and the Ford Foundation – to provide a list of countries in which these claims were true. Despite their very different perspectives, both provided the same list, and it is very short: Brazil, India, Bangladesh and the Philippines. Inadequate ‘reach’ is clearly a serious problem. (For more detail, see Manor, 2003.)

It can be eased somewhat (though not removed) if governments and donors develop congenial ties to civil society organisations – usually by drawing them into efforts to promote service delivery. But this raises a further problem. Many governments manipulate such arrangements to disarm and co-opt civil society organisations, and to foster invidious divisions between those civic organisations that are contracted into such partnerships and those that are not. Even when governments do not set out to achieve these things, they often happen anyway.

All of this raises serious doubts about civil society as a bridge between intermediate and local levels. To say this is not to suggest that donors and governments should cease their attempts to encourage enlightened civil society organisations to reach the local level. This is a splendid idea. But they should be realistic – and sceptical – about how fully those organisations can perform that task.

### **Political Parties**

Democracy, or at least competitive politics, has spread to a great many less developed countries in recent years. So we might expect political parties to contribute much to the bridging of the gap between the intermediate and local levels. That is supposedly one of their key tasks. But this has happened to a surprisingly limited degree – far too little to integrate higher levels with the localities in most places.

<sup>5</sup> Interview with Qazi Farouque Ahmed of PROSHIKA (a centre for human development) in Dhaka, 19 February 1993.

A majority of political parties in less developed countries lack the organisational strength to penetrate much, or very effectively and often, downward beyond the intermediate level. This is often explained by the reluctance of party leaders to develop strong organisations. Many leaders prefer to dominate their parties, and they fear that if they develop a formidable party organisation, they will have to cede too much power to subordinates.

Even some of those parties whose organisations have acquired institutional substance, so that they can perform certain tasks effectively, find it difficult to penetrate below the intermediate level. This latter task appears to be one of the most difficult tasks that party organisations face (see for example, Manor, 2005).<sup>6</sup> And the still smaller number of parties that *can* penetrate tend to be intensely hostile to civil society and to participatory techniques that can draw the energies and potential of people at the local level into constructive action within the public sphere. There are exceptions to this generalisation, but not enough to make political parties a promising means of linking the intermediate and local levels.

### **Governments**

Government institutions and programmes represent a third set of agencies that might reach down to the local level. They are more promising than the first two – because they usually have comprehensive ‘reach’ and penetrate more effectively. But governments usually bring with them major problems – not least corrupt, complacent, sclerotic bureaucracies. How might they be changed so that they penetrate in a less coercive, more open and responsive manner – so that they enable the resources available at the local level to contribute to the political and policy processes?

Several recent studies have shown that many leading politicians and technocrats are acutely fearful that reforms which make governments more open will threaten their control over and the predictability of development processes. But some of those studies also indicate that it is possible to persuade senior leaders that such changes are non-threatening and offer abundant benefits to them and to their governments (Kulipossa and Manor, 2007).

Readers will also be aware of work on changes in incentives for low-level bureaucrats and line ministry employees, so that they become more responsive to local-level preferences and thus draw local energies into the development process. Some analyses and numerous governments have concentrated on *disincentives*. But there is also great promise in creating new, positive incentives (Tendler, 1997).

Democratic decentralisation, which will be further discussed in the next section, when it gives elected representatives significant leverage over government employees (in ways that help the latter to perform more effectively) can also help here. But if this is to occur, it is essential that *substantial* powers and resources be devolved onto elected bodies at lower levels – and most of the many governments that have experimented with decentralisation have provided too little of both. Senior politicians need to be persuaded that by parting with po-

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<sup>6</sup> It indicates that India’s Bharatiya Janata Party – one of those with genuine organisational strength in several senses – largely lacks such a penetrative capacity.

wers and resources in this way, they and their governments will become more influential, popular and legitimate – that this is no zero-sum game. This will enable them to recognise that such generosity is *in their political interests*.

Finally, we often find that special agencies or institutions are created to address urgent needs which by-pass mainstream government institutions that are thought to be too ineffective to perform adequately. Social funds are one example. So are many single-sector programmes and the ‘user committees’ that are created by them. Recent studies indicate that it is crucial to integrate these parallel agencies and bodies with mainstream government institutions at a relatively early stage. If they remain unintegrated, they will undermine the legitimacy of mainstream institutions. This is immensely damaging because it is a matter of urgency that government legitimacy be enhanced, and that governments should be persuaded to make greater responsiveness a core characteristic of their mainstream institutions. Also, if such parallel institutions sap the legitimacy of governments, politicians who make key decisions within those governments will never develop an adequate sense of ownership of them.

### **Local-level political entrepreneurs or ‘fixers’**

So far, this discussion has focused mainly on agencies that might bridge the gap between intermediate and local levels by reaching *downward from above*. But we must also ask whether there are any agencies or actors that might reach *upward from below*. Recent studies have discovered a formidable set of such actors in one less developed country – India. Open politics has flourished there for a considerable time. That is not true of most other less developed countries, so this change in India may not be occurring to the same degree in other countries. But it is important that we find out how much of this is happening elsewhere, since there is real promise in this trend.

In India – even in distinctly under-developed regions – we see a huge growth in the number of local-level political entrepreneurs, whom analysts have described as *naya netas* (new leaders) or political ‘fixers’ (Krishna, 2002; Manor, 2000). They reach up from villages, where two-thirds of Indians still live, to higher levels in the political system. They contact politicians and bureaucrats at higher levels in order to gain access to goods, services and funds from government agencies and programmes, which they then channel back to their localities.

These ‘fixers’ are ambiguous figures. They seek to make a little money from villagers, but also to gain esteem and popularity among the people whom they assist, and recognition among politicians higher up. Some seek careers in representative politics. Their capacity to get things done for people in their localities often earns them greater prestige than that enjoyed by senior figures in the old caste hierarchy. Many ‘fixers’ come from groups that did not rank high in the old hierarchy, so their emergence helps somewhat to produce more equitable outcomes.

‘Fixers’ tend not to flourish or to proliferate in regions where political parties have strong organisations that can penetrate into lower-level arenas. Such parties tend to be hostile to ‘fixers’ because the latter are largely free agents who do not attach themselves firmly to any political party. And in any case, strong party organisations perform most of the tasks that ‘fixers’ seek to perform – so there

is far less need or room for ‘fixers’ in such regions. *But* most Indian parties lack the organisational capacity to penetrate effectively. So in most of India, ‘fixers’ have ample room in which to operate.

Like government agencies – but unlike civil society organisations and (in most regions) political parties – ‘fixers’ are ubiquitous. They are therefore almost certainly a more promising force than either civil society organisations or parties when we look for actors that may forge links between the local and intermediate levels. (They are not as effective at doing this as are demand-driven programmes, discussed below, but they still have great potential.)

Politicians are increasingly recognising that the vast army of ‘fixers’ offers them a major new political resource that can help to make development programmes – and not least, service delivery – more effective and responsive to people at the local level. They can help to inform local residents about (i) the services that are available to them and (ii) how to gain access to those services. They can also – like elected members of councils at lower levels (see below) – explain why certain services are beneficial using a language that local residents can understand, so that the uptake on vital services increases.

One final comment needs emphasis here. ‘Fixers’ are, above all, *political* animals. They do not fit neatly into any development programme’s technocratic blueprint. They are the untidy, somewhat unpredictable progeny of open ‘politics’. Their considerable, if largely unacknowledged importance in India’s development process reminds us of the importance – at the *local* level, as well as at the apex of the political system – of ‘politics’. Like ‘fixers’, ‘politics’ needs more of our attention – and international development agencies need to be tolerant of its untidiness and unpredictability.

### *Finding out what we need to know: demand-driven programmes*

This paper began with the claim that donors, governments and civil society organisations are “flying semi-blind” – because they do not know enough about what happens in the space between intermediate and local levels. It follows that we need to look for ways in which they might learn what they need to know to operate more effectively. Governments are especially crucial here, since they are the main agency that might make a constructive impact. So how can governments find out what they need to know about conditions in any locality in order to operate effectively and responsively? Once again, recent evidence from India can help us find answers.

How do senior politicians and civil servants there find out what they need to know about the problems that exist in any given locality? In theory, they can request subordinates to search reliable, well-organised databases that contain abundant information about the numbers of schools, health centres, government programmes and officials in any small area – and about the condition of people, animals, roads, wells and much else. Younger civil servants in India have been systematically trained to search these databases. But *in practice*, this almost never happens – because politicians do not ask subordinates for this informa-



tion, and because they overload subordinates with many other tasks so that they have no time to consult databases.<sup>7</sup>

So this approach to finding out what governments need to know *does not work*. There is, however, another way that *can* work. (And it is this that makes the evidence from India especially relevant to other less developed countries, because in many of those countries such databases are far less reliable than in India.) Development programmes which are *demand-driven* – which enable people at the local level to influence action by governments – can provide this and still more crucial information.

Consider one such programme that involves ‘service delivery’ – the Education Guarantee Scheme in the Indian state of Madhya Pradesh. It is a useful region to examine because it is decidedly under-developed – its low human development indicators make it comparable to many less developed countries where people face serious deprivation.

In 1997, two brilliant civil servants presented the state’s Chief Minister – who was himself quite brilliant as Indian politicians go – with a one-page memo proposing what they expected to be a relatively modest but useful new development programme. He immediately approved it, also expecting it to be rather modest.<sup>8</sup> It gave any village that did not have a school within it or quite nearby the right to demand a school and a para-professional teacher drawn from the locality to provide primary education at the government’s expense. Funds to pay the new teachers would be channelled through the elected village council, to which the teachers would thus be accountable.

By 2003, over 26,000 villages had demanded and received such schools, and 1.23 million pupils were studying in them. This was no ‘modest’ programme. Examination results from the new schools were comparable to those in conventional government schools – largely because the accountability of the new teachers to village councils dramatically reduced teacher absenteeism, which plagues conventional schools.

Madhya Pradesh contains 52,000 villages. Thus, *just over half* of those villages received new schools as a result of this programme. But the key thing to note here is that at the outset, the Chief Minister and his two aides – all of whom were perceptive – *did not know* that half of the state’s villages lacked schools. They only discovered this because the Education Guarantee Scheme was a *demand-driven* programme. It was the residents of the most deprived villages of the state whose demands informed them of this. The lesson from this case – which is reinforced by evidence from the set of studies of ‘low income countries under stress’ mentioned above – is clear. Demand-driven programmes can tell governments what they need to know in order to govern effectively and responsively.

They can also – to return to our main theme – enable the gap between intermediate and local levels to be bridged. But just as the discussion on local-

<sup>7</sup> Interview with N.C. Saxena, former head of both the national administrative academy and the Ministry for Rural Development, New Delhi, 8 September 2005.

<sup>8</sup> This discussion is based on interviews with one of the two civil servants, Amita Sharma, Bhopal, 4 December 2003; and with the then Chief Minister, Digvijay Singh, New Delhi, 18 September 2005.

level political ‘fixers’ indicated, the bridging of that gap is not entirely about top-down actions and programmes. ‘Fixers’ operate from the bottom up as they try to access resources from top-down programmes. And demand-driven programmes are by definition powerfully influenced by bottom-up pressures, even though they also entail the top-down flow of goods, services and funds from governments. (The same can be said of generously empowered systems of democratic decentralisation – one of which played a key role in this episode.)

In other words, the problem of the gap between intermediate and local levels is best addressed by *combining* top-down and bottom-up processes. And that can only be done successfully if significant powers are provided to those operating from the bottom up. They have long been substantially without power.

### *Empowerment through democratic decentralisation*

The easiest and most commonly used method to empower them is democratic decentralisation – the transfer of powers and resources from higher levels to elected councils at lower levels. Since we are concerned here with service delivery, one finding from studies of democratic decentralisation needs to be noted, since it gives cause for concern. Elected members of councils at and near the local level tend strongly to prefer small construction projects over the delivery of services.

This is true for a diversity of reasons. One of them is unattractive – elected councillors can obtain illicit kickbacks from contractors doing the construction. But for the most part, elected representatives have good democratic reasons for this bias. It reflects a broad popular preference in most countries for small projects to build or repair important local facilities that have long been ignored because people at higher levels of government tend to prefer large expensive projects – major hospitals instead of small primary health care centres, major dams instead of minor irrigation works, and so on. Elected politicians on councils at lower levels are responding to pent up demand.

But this could still threaten service delivery if those elected councillors were able to divert funds intended for services to construction projects. But the reality is that in nearly all decentralised systems, they do not possess this power – or if they do, their powers are very limited. It is routine practice to earmark funds intended for services, and this usually suffices to protect them.

In other ways, however, democratic decentralisation can help to improve service delivery. Consider two of the ways in which this can happen. First, when low level government employees who are supposed to provide services (for example, teachers and health professionals) are made accountable to elected councils at low levels, the latter can curb absenteeism among the former. Absenteeism is a huge problem in many less developed countries. Reductions in absenteeism can increase service delivery at no extra cost to the exchequer – an appealing idea in this era of tight fiscal constraints. Second, elected councillors at lower levels can explain to ordinary people (who are their neighbours) why they should avail themselves of services – in language that ordinary folk can understand. They are, for example, far better than are health professionals at explaining to women villagers why they should visit health centres where people

use intimidating needles for ante- and post-natal care. Intermediate-level health sector managers in India and Zambia have told this writer that the uptake on vital services has increased as a result – so that lives have been saved.

It also makes sense to give elected councillors significant influence over single-sector ‘user committees’ or ‘stakeholder committees’. This is true because the selection of members of such committees is often influenced by bureaucrats in the relevant line ministries – so that they are far more hesitant to express local preferences and discontents than are democratically elected members of decentralised councils (Manor, 2004).

### *Concluding remarks*

One further point is worth reiterating. Each of the processes that facilitates substantial bottom-up influence – the activities of ‘fixers’, democratic decentralisation and demand driven programmes – entails the opening up of ‘politics’ within the space between intermediate and local levels. It also entails extending ‘politics’ – the interplay of ideas and interests in the pursuit of power – below the intermediate level, so that it is no longer thoroughly dominated by actors at higher levels. In other words, far from insulating development programmes from unwelcome intrusions by ‘politics’, the argument here favours the enlargement of the role that ‘politics’ is permitted to play. Despite its untidiness and unpredictability, ‘politics’ is worth encouraging – in ways that direct it into constructive channels, as these types of bottom-up influence tend strongly to do.

Finally, some readers may ask why politicians at higher levels would decide to open things up in this way. The answer – which has been provided by many imaginative politicians in less developed countries – is that it serves their interest to do this. When they open the system up, they themselves, their parties and their governments gain greater legitimacy and popularity among people at the local level. So there are good ‘political’ reasons for them to promote more bottom-up involvement in ‘politics’.

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## 8. Giving Citizens What They Want: Preference Matching and the Devolution of Public Service Delivery

*Omar Azfar*

### *Introduction*

According to the theory of democratic local government, democracy and devolution are expected to improve service delivery through better preference matching and better accountability. Local officials are supposed to care about re-election, and hence find out what citizens want and provide them with these goods and services. While it makes interesting theoretical predictions, much of the literature on decentralization and preference matching – e.g. Hayek (1945) and Oates (1972 and 1999) – is not empirical. These classical works provide little evidence on whether preference matching actually happens and the evidence provided is primarily on the United States and not on developing countries.

This chapter presents results from research on Uganda and the Philippines conducted at the IRIS Center of the University of Maryland. In this research we collected data from households on their preferences and data from public officials on what they thought people wanted, and on actual resource allocations. The results from both countries showed only a weak match between citizens' preferences and what was being provided. Also officials at lower levels (Filipino municipalities and Ugandan sub-counties) were more likely to know the population's preferences than higher level (Filipino provinces and Ugandan districts) local officials

The question arises as to what to do about this poor knowledge of preferences. One reform that has been tried recently is participatory planning: communities are directly involved in prioritization, budgeting and monitoring. These reforms which originated in Porto Alegre, Brazil, have now been adopted across Brazil and are in the process of being adopted in many other developing countries – Kerala, India is a notable example. The second part of the paper will review this and other recent experiences.

Improving the quality of information flows is most likely to be effective if the poor are empowered to respond to the information and provide clear incentives to public officials to improve their performance. Elections would be one such mechanism, but this is not a question that we could directly address in this paper. This paper does not examine the role of elected public officials in improving preference matching by linking the depth of democracy in the two countries to the quality of preference matching. The Philippines is more democratic than Uganda with more genuinely contested multi-party elections at the local level, but a simple comparison of the accuracy of preference matching would not persuasively answer the question of whether democracy improves preference matching because it would only be a comparison of two data points.

A more in-depth study of how preferences were communicated through elected officials may have been able to shed some light on the role of elections and democracy

in communicating preferences but we did not collect the information we would have needed to answer that question. Thus while it is possible that local elections do lead to improvements in preference matching, we cannot tell if they do.

### *Decentralization reforms and study design*

#### **The Philippines**

In 1986 the Filipino Revolution led by Corazon Aquino overthrew the infamous government of Ferdinand Marcos and established a vibrant democracy. Promises of decentralization were an important part of the revolutionary rhetoric and the new government delivered the promised devolution of authority with the Local Governments Act of 1991. The devolution of authority in the Philippines was serious. The Local Government Code enacted in 1991 and implemented in 1992-93 significantly increased the responsibilities and resources of sub-national governments: 77 provinces, 72 cities, 1526 municipalities and over 40 000 *barangays*<sup>1</sup>. In addition, the Local Government Code mandated the creation of local democracies at each level, with regular elections being held for both executives and legislative bodies.<sup>2</sup>

Expenditures devolved to sub-national governments covered a wide range of government activities, the most prominent of which was health, which accounted for more than 53 per cent of the total 7.23 billion pesos (~USD 100 million) of devolved expenditures. Sixty per cent of health personnel and a large percentage of the personnel of the social welfare, agriculture and budget ministries, were devolved to lower-level governments. However, with the exception of social welfare the percentage of central ministry funds reallocated to lower-level governments was often significantly smaller than the percentage of devolved personnel.

To defray the cost of devolved expenditures, Section 284 of the Local Government Code provided for 40 per cent of central government revenues collected three years before to be transferred back to sub-national governments as internal revenue allotments (IRAs). Provinces and cities received 23 per cent each of the total transfer, municipalities 24 per cent and *barangays* 20 per cent.

The combination of the devolution of real expenditure authority, substantial transfers to local governments so they can implement many of their mandates, and the creation of a vibrant local democracy makes it fair to call the decentralization of the Philippines in the early 1990s a serious devolution.

Nine different sets of respondents were surveyed in the Philippines during the summer of 2000: households, provincial health officials, provincial administrative officials, provincial education officials (Department of Education, Culture and Sports, DECS), municipal health officials, municipal administrative officials, municipal education officials, health clinic officials, and elementary school principals.

<sup>1</sup> These numbers change as new units are created or old ones combined (Miller, 1997). A *barangay* is the lowest level of government corresponding to "a neighbourhood".

<sup>2</sup> The interested reader can read Azfar, et al. (2001) for a more detailed descriptive account of decentralization in the Philippines and Uganda.

The household survey covers 1120 households living in 20 provinces, 81 municipalities and 301 *barangays*. It asks questions regarding to basic demographic information and child health and education, as well as voting patterns, political action, media exposure, mobility, and most importantly for the purposes of this paper, regarding preferences over various publicly provided services.

## Uganda

President Museveni's NRM government has been devolving power by stages to local governments for several years. Local "Resistance Councils" were created in 1988 by the NRM government. In 1993 the government decentralized many of its functions to the district level. This action was reinforced by the Local Government Act of 1997.

The Local Government Act gives both legislative and executive authority to local governments. Legislative authority is limited by the requirements that laws and by-laws enacted by local governments be consistent with the constitution, national laws and – in the case of lower-level governments – district ordinances. There are five levels of local government: village, parish, sub-county, county and district. Of these, the 45 districts are allocated the most responsibilities and the 800 sub-counties are next in importance. The average population of a district is about half a million, and that of a sub-county, 28 thousand, but the range of variation is large.

Many responsibilities within health and education were devolved to local governments. Part 2 of Schedule 2 of the Local Government Act devolves education and health responsibilities to the district level, and recommends the further devolution of nursery and primary education to lower levels of government.

The two most important sources of revenue are the graduated tax – which is similar to an income tax – and grants from the central governments. Local governments have some discretion in setting tax rates. Additionally, district governments are supposed to distribute 30 per cent of revenues raised in the district to lower levels of government according to a formula based on child mortality, the number of school-age children, population and area. The central government gives three main kinds of grants to local governments: unconditional grants, conditional grants and equalization grants – the latter directed to those localities lagging behind in some kind of public service provision. In summary the Local Government Act appears to give local governments significant and sometimes overlapping authority over the supply of several public services. In section 3 we describe an empirical attempt to measure *de facto* autonomy in both the Philippines and Uganda by analyzing the responses of public officials to questions about their authority.

Surveys of eight different groups were undertaken in Uganda: households, district health officials, district education officials, sub-county health officials, sub-county education officials/chiefs, health facilities, and primary school principals. The surveys were conducted in spring 2000. Data were collected from 75 sub-counties, chosen randomly from 10 quasi-randomly selected districts.<sup>3</sup> In

<sup>3</sup> Some districts were taken out of the data pool before the sample was randomly selected, because they could not be surveyed for safety reasons. Thus our sample might be biased towards better run districts with more exacting political disciplines. Since most of our results are negative, it is possible they would be even stronger if we had data on a random sample of districts.

each sub-county 15 households were chosen from 4 randomly selected villages. The household survey covers basic demographic information, information on health knowledge and usage, primary education, voting patterns, political action, media exposure, mobility and preferences over various publicly provided services. The public official surveys also asked questions about their knowledge of citizens' preferences, and numerous questions about public sector management which are presented in Azfar, et al. (2001).

### **Adjustability**

The first question to ask in the study of preference matching is whether public officials have the authority to adjust the supply of public services to demand. The Local Government Act of the Philippines does provide a fair amount of formal authority to local government, but it is important to assess whether this is borne out in fact. In order to evaluate the extent of adjustability in different government offices, the survey asked public officials two kinds of questions. The first one inquires about the extent to which officials are able to respond to people's suggestions:

In general how easily can you adjust in this province/municipality/school/health clinic the provision of provincial/ municipal /education/health services to respond to the suggestions of local people?

The second set of questions evaluates the authority of officials to hire or fire staff, to decide on the salaries of personnel, to reallocate funds among services, and to offer different services. An aggregate index is formed from these questions to represent the authority of local officials to make a decision without the approval of a higher government agency.<sup>4</sup>

There is an element of arbitrariness in constructing any such index from ordinal answers, but this seemed like the least controversial way to do so. The index is constructed so that it takes values between 0 (no adjustability) and 1 (easy adjustability).

We find that provincial and municipal officials have similar flexibility to respond to local demand (0.83 vs. 0.79, Table 1). We conducted a similar exercise in Uganda. We found adjustability was 0.56 for the sub-county health office, 0.59 for the sub-county education/chiefs office, 0.68 for the district health office and 0.63 for the district education office (Table 1).

In summary, the survey results indicate that local governments at both the district and sub-county level in Uganda do in fact have some autonomy in the delivery of public services. Local governments in the Philippines appear to have even more autonomy. The next section begins examination of whether there is reason to expect that this autonomy will improve preference matching in Uganda and the Philippines.

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<sup>4</sup> Adjustability Index = (0x Cannot adjust + 1x Can adjust with great difficulties + 2x Can adjust with some difficulties + 3x Can adjust easily) / 3.



**Table 1. Adjustability: “How easily can you respond to suggestions of local people. Percentage of respondents.”**

	Cannot adjust	Can adjust with great difficulty	Can adjust with some difficulty	Can adjust easily	Adjustability Index	N
<b><i>Philippines</i></b>						
Municipal Health	3	3	34	39	79	79
Municipal Administrator	2	1	24	51	87	79
Municipal DECS	1	5	26	48	84	80
Provincial Health	0	3	8	8	75	19
Provincial Administrator	0	8	1	8	83	17
Provincial DECS	0	2	3	14	88	19
<b><i>Uganda</i></b>						
Sub-County Health	12	24	47	17	56	
Sub-County Education	5	26	52	16	59	
District Health	0	10	75	15	68	20
District Education	0	22	67	11	63	18

### *Demands for Publicly Provided Services*

#### **Variance in demand and preference matching in the Philippines**

The classic arguments for fiscal federalism as narrated by Tiebout (1956) and Oates (1972) are that local governments can better match goods to preferences. Local governments are expected to be closer to the people they are intended to serve; hence, theory says, local officials are more likely to know the demands of their communities than some distant central government. In this section we examine whether this theoretical postulate holds in the Philippines and Uganda by trying to match household demands with public officials' knowledge of these demands. The Philippines survey asked the following questions to households and officials, respectively:

If the municipal/city government received P 1 million, on which activity would you want most of the money spent?

If this municipal/city government received P 1 million, on which activity do you think would most local people want most of the money spent?

The question is asked in this way to make it easier for respondents to understand the question and be able to answer it. In principle, better data could be collected if respondents were asked to rank several different publicly provided goods, but this is liable to confuse respondents as we have discovered in subsequent attempts to do so. The answer, which measures deficient demand, also conflates demand and supply. Adequate public provision of a public good, which saturates demand, might lead respondents to pick some other good as their first choice. Our interpretation of the results is, however, based on the

assumption that this conflation of supply and demand affects household and official responses in a similar fashion.

Most of the households (35 per cent) rated investment for infrastructure (classified as building bridges, roads and canals) as their top preference, followed by new jobs, education, aid to the poor, health and water services. Municipal public officials also emphasize infrastructure as the first priority of households (49 per cent) followed by health, new jobs, and aid to the poor. They give a low priority to education (5 per cent) as compared to households (10 per cent).

There are also large differences in households' demands across provinces, and across municipalities within provinces, for those services demanded by more than 5 per cent of the population – education, health, roads, new jobs, aid to the poor and water. (The procedure used for detecting such differences is described in the technical Appendix.)<sup>5</sup>

Given that there is apparently a wide dispersion in demands for publicly provided goods, and apparently a fair amount of discretion on resource allocation by local officials, if local officials actually knew about people's demands, then local governments might be able to better provide public services that people actually want. The survey also asked public officials about how they learn about households' demands. All public officials cited some efforts to find out local citizens' demands as is shown in Table 3. Many of them (about 25 per cent) choose to consult with community leaders and local civic organizations. Quite a few also conduct surveys or on-field inquiries (around 15 per cent).

Therefore we next examine the awareness of public officials about the demands of people living in their jurisdictions. We found that in 10 out of 20 provinces households' first priority is correctly anticipated by most municipal officials. Provincial officials, on the other hand, are able to cite the good demanded by most households only in three cases (they would incidentally do better by simply stating "Roads" in all cases<sup>6</sup>).

We tested for a match between households' demands and public officials' knowledge of these demands by regressing public officials' statements about what households want on what households say they want (The formal procedure is described in the Appendix.) Municipal officials demonstrate a marginally significant knowledge of citizens' demands ( $t= 1.86$ , Table 2, Figure 1). However, provincial officers demonstrate no knowledge at all of citizens' demands – the coefficient is actually negative (Azfar, et al., 2001).

In summary our analysis of the structure of demand shows that information about demands of the households is conveyed to municipal officials with a modest success, whereas provincial officials show no evidence of any knowledge about local demands. Given that municipal officers are much "closer" to the people – there are approximately 1500 municipalities with an average population of around 50 000 each as opposed to approximately 70 provinces with an average population of around 1 million – we can say we find some weak eviden-

<sup>5</sup> Trivial levels of demand make differences in demands conceptually less meaningful and statistically more difficult to detect.

<sup>6</sup> I am reminded of a similarly dismal performance predicting Oscars in 1998 when I would have done better by simply guessing "Titanic" on all categories, including the ones for which the movie was not even nominated!

ce that being closer to the people does help in knowledge of their demands.

For future replications of studies of this nature, we would recommend that a more sophisticated question be administered to public officials, asking their opinions about the percentage of people who would want public resources allocated to each type of good. This would provide much more detailed information to match citizens' demands with officials' knowledge of these demands. It may also make sense to interview some central government officials to compare their knowledge with that of local officials.

### **Variance in demand and preference matching in Uganda**

In this subsection we repeat the analysis we just presented for the Philippines on data collected from Uganda. One item is of particular interest: immunization. Remarkably, only 1 per cent of households responded "immunization" – in fact we had another question just asking households to choose among different health services and fewer than 1 per cent chose immunization!

For other goods this might have been an argument for not supplying goods that are not demanded, but in the case of immunization this contradicts accepted scientific knowledge on the cost-effectiveness of preventative and curative medicine. This does highlight that one potential benefit of participation may be that public officials and experts could communicate the benefits of publicly provided goods like immunization and increase demand for them. In other words, in addition to preference communication from the public to public officials, participation may lead to preference formation among the general public. Indeed Rao and Ibanez, (2003), do find that participation led to changes in the public's preferences over publicly provided goods.

In contrast to immunization, 22 per cent of respondents stated they would prefer the money to be spent on primary education (only water at 31 per cent was ranked higher). This interest of citizens in primary education suggests they would exert political pressure to improve primary education delivery in their localities. There are also large differences in demand for primary education across districts, which vary from a low of 7 per cent in Tororo to a high of 39 per cent in Apac.

The results show that there is both a statistically and economically significant variation in demand across districts. The result can be read roughly as "on average the demand for primary education in a representative district is 36 per cent higher or lower than the average demand for education."

Are there also significant differences across sub-counties within districts? Here the results are only marginally significant and suggest less dispersion in preferences. Thus, while differences in demand for primary education are significant across districts, they are not quite as significant across sub-counties within districts. A similar analysis of malaria also found significant differences across districts but not across sub-counties.

We also conducted an analysis matching what citizens demanded with what public officials provided in Uganda. Local officials knowing and acting upon citizens' demands for public goods is an important argument for decentralization. To determine whether differences in households' demand are reflected in the perceptions and actions of public officials, the latter were asked two questions:

*If this sub-county government received Sh 10 million, on which activity would local people want most of the money spent?*

In the last year, on which activity did this sub-county government spend most of its local tax revenues?

No evidence was found of any correlation between household demands and either public officials' knowledge of these demands or resource allocation decisions at the district level (The procedure is described in the Technical Appendix). Both regressions of 100 observations (=10 goods\*10 districts) have coefficients of essentially 0. Figure 1 shows the lack of any match between households' demands and district officials' decisions at the district level.

This exercise was then repeated at the sub-county level, where we found evidence of some congruence between household and public official preferences. The coefficient of 0.19 is significant (Table 2). A literal interpretation of the coefficient would be "sub-county officials reflect 20 per cent of the population's preferences." However, the coefficient should not be taken literally, because measurement error in the X variable may be dragging down the coefficient (since we did not know the measurement error, and could not accurately estimate it, we did not try to correct for this bias). Sub-county officials, unlike district officials, do seem to reflect the demand of the citizenry to some extent.

In Uganda, we were also able to conduct an analysis of whether actual resource allocation was adjusted in response to preferences. Similar but weaker results were found for actual resource allocation: there is a positive but insignificant relationship ( $t=1.4$  in a robust regression) between household demand and sub-county-level resource allocation. One possible explanation for the weakness of this relationship may be that if resources were actually allocated to a public good in the previous year, the marginal demand for the good this year would fall. Figure 1 shows the partial correlation between demands of households, the knowledge of these demands by sub-county officials, and actual resource allocation decisions at the sub-county level.

In general there is some evidence of preference matching at the lower levels of local government in the Philippines and Uganda (municipality or sub-county), but no evidence of preference matching at the higher level of local government (province or district). This adds an important nuance to the argument for decentralization. There is thus some evidence that decentralization to levels that are really close to the people might result in some improvement in preference matching.

**Table 2. Correlation between public officials' demands and household demands for funding priorities**

	Sub-county/Municipal Officials	
	Uganda	Philippines
Household Preferences	0.188** (2.47)	0.150* (1.86)

OLS regression coefficients; T-statistics are in parentheses.

\*\* significant at the 5-per cent level.

\* significant at the 10-per cent level.

Table 3. What have you done to find out about local preferences?

## Philippines

	Municipal Health	Municipal Administrator	Municipal DECS
Survey	6	10	6
Consultation with community leaders/organizations	27	14	31
On-field inquiry	10	8	2
Meeting/consultation with staff	10	12	3
Other	61	62	75
Nothing	0	0	0

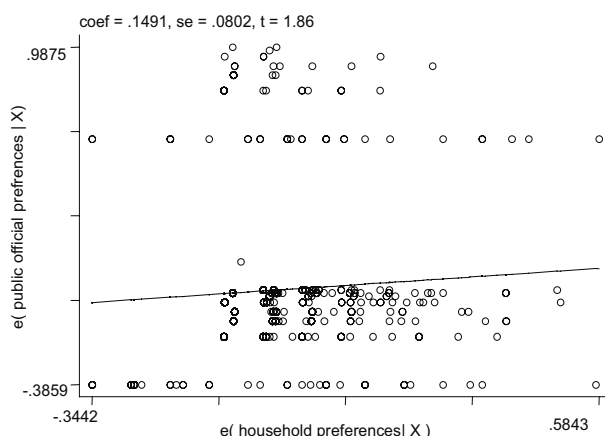
Were these suggestions...	Municipal Health	Municipal Administrator	Municipal DECS
Incorporated into municipal/city development plans	67	70.83	54.58
Actually implemented	65.83	65.42	56.67
N	80	80	80

## Uganda

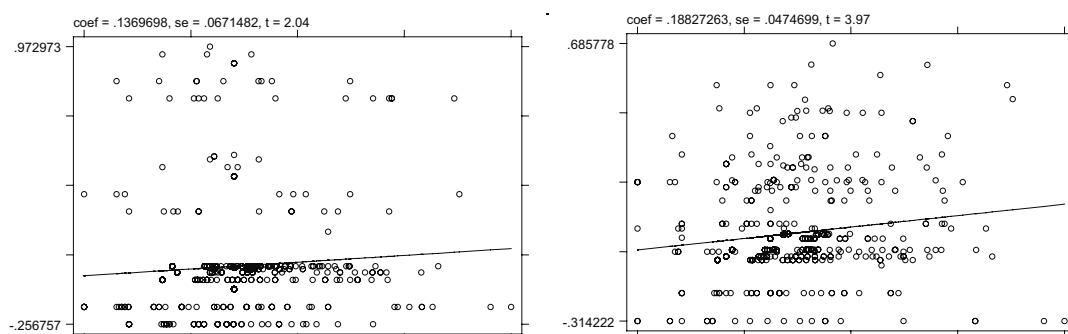
	Sub-County Health Office	Sub-County Education Office	District Health Office	District Education Office
Nothing	9	14	5	0
Survey	18	10	68	35
Community Meeting	68	72	68	94
Interviewed Staff	17	30	36	52
Other	30	20	63	41
Were these suggestions incorporated into..				
District/Sub-County Development Plan <sup>1</sup>	0.477 0.024	0.434 0.018	0.616 0.055	0.555 0.066
Local Budget Frame. Paper	0.425 0.033	0.394 0.023	0.611 0.061	0.476 0.067
N min	122	127	19	17
N max	123	132	20	18

<sup>1</sup> Sub-county result reported below district result

**Figure 1. Preference matching**  
Philippines Municipal Officers (municipal average)



**Uganda Officials' perceptions and households' demands Actual funding and households' demands**



### *Participation: experiences in Brazil, India, Bolivia and Indonesia*

We now address the question of what to do if local officials' knowledge of citizens' preferences is weak. One mechanism that is increasingly popular is participatory budgeting – a process which directly involves citizens in the process of both prioritization and monitoring of service delivery.

In this section we examine three examples of local governments which share common elements: In each case a “New left” party came to power and implemented a program that both elicited information from the poor about their priorities, and was able to mobilize significant human capacity to help in the design and implementations of these policies. We conclude the section with an example of how national and international development agencies can introduce participation in its own projects.

Many Brazilian municipalities have implemented a process of participatory budgeting whereby they both consult with the citizenry in making budgetary allocations and are monitored by the citizenry. In Kerala, India, the state government devolved significant responsibilities to local government and required them to use a participatory process of prioritization and design of reforms. In

Bolivia, the decentralization law requires the creation of an oversight committee that oversees the performance of the local government and has the power to block the flow of funds if it suspects there are serious improprieties. In all cases there is evidence for improved policy making following the adoption of participatory processes.

In Porto Alegre, Brazil, the *Partido de Trabalhadores* introduced the process of participatory budgeting. Currently, the process involves the participation of community members in both budget prioritization and in monitoring progress over the year. The process helped in the implementation of politically thorny legislation like the introduction of land taxes and in improving outcomes, including access to clean water and doubling the number of children in primary school (Baiocchi, 2003).

Participatory budgeting has also been adopted in a number of other cities, including Belem, Santos, Angra dos Reis, Belo Horizonte, and Campinas and has reportedly led to positive redistributive outcomes and improved government efficiency. In addition, the experience may have led to positive externalities for the central government, as several ex-mayors of Porto Alegre have become ministers in the Central Government, which may improve an appreciation of both the importance and the mechanics of learning about the people's needs at the highest levels of power.

In Kerala, when the Left Democratic Front came to power in 1996, it implemented the "People's Campaign for Decentralized Planning". All local governments in Kerala at the district, block and village level were given new powers, asked to come up with their own development plans, and required to do so using a specific participatory process. All local governments were asked to hold one assembly at the beginning of the budgetary cycle to identify priorities and specify a process by which a detailed plan would be designed, which a second assembly would approve (Chaudhary, 2003).

The Keralan government both leveraged existing human capital effectively and invested in a massive accumulation of human capital. The decentralization process used the immense human capacity in the Keralan People's Science Movement, which has over 50 000 members who are generally retired civil servants or teachers. These people served as "key resource people" who facilitated the budget assemblies and in the design of specific programs. In addition, the Keralan government invested in a massive educational campaign for elected representatives, public officials and volunteers, training more than 100 000 people.

Kerala's performance over the period has been impressive. Headcount poverty has fallen by half since the early 1990s, rural per capita expenditure has risen by 20 per cent, and the school attendance rate has risen from an already impressive 85 per cent to 96 per cent. Chaudhary (2003) conducted an evaluation of the program. They surveyed a number of different kinds of informed respondents, members of the ruling coalition, members of the opposition, civil servants and members of civil society groups. They found that the vast majority of these respondents believed that the poor are more likely to be selected into programs, and that a vast majority of each category of respondents (including opposition members) believed that the situation had improved for the poor in terms of housing and support.

Results from India suggest that increasingly the representation of traditionally disadvantaged people – women, and members of scheduled castes – affects the allocation of publicly provided goods in ways that benefit these groups (Pande, 2003; Chattopadhyay and Duflo, 2004).

Porto Alegre and Kerala are both relatively developed localities in their respective countries, but our third example of successful government comes from a relatively backward locality: Charangua, Bolivia.

When the *Asemblea del Pueblo Guarani* came to power in Charangua, it undertook policies that actively solicited input from the population. This led both to better prioritization and helped the government to effectively demand contributions in both labor and materials from the citizens. Charangua's government as a consequence is well-run, with low operating costs, laudatory audit reports, and the mayor even received top ranking in the department for being effective and enthusiastic (Faguet, 2003).

Even if governments resist introducing participation into governmental decisions, multilateral agencies such as, for example, the World Bank can introduce participation in the design of its own projects. The Kecamatan Development Program (KDP) in Indonesia used participation to reduce project costs and improve the prioritization of resources (World Bank, 2002). The KDP disbursed Bank loans by giving loans to localities and requiring community participation in prioritization and design. The program has reportedly had a large poverty-reducing impact, producing roads, bridges and irrigation systems at 30 per cent less cost than usual, and has used labor-intensive production methods which directly increased the incomes of millions of poor Indonesians.

Olken (2004) has conducted a unique randomized study of the impact of participation on socio-economic outcomes. He found that randomized audits of road-building projects in 608 villages in the Kecamatan Development Program reduced leakages of both wage and non-wage funds. However, results of other randomized interventions designed to increase participation were more mixed. Olken's study examines the impact of participation on corruption and not on preference matching, a gap in the literature the World Bank hopes to fill with a randomized study of participation in Russia, described below.

### *Summary and recommendations*

A number of recommendations emerge from our study. First, since officials at the lower levels of local government appear to have better knowledge of preferences, decentralization should devolve authority to lower levels of local government.

Second, there is considerable room for improvement even at this level. Two related mechanisms can be used to improve the match. The first is participatory budgeting, pioneered in Porto Alegre, Brazil but now being adopted the world over. Such participatory budgeting processes allow citizens to convey their preferences, and allow public officials to convey the costs and likely effectiveness of various services.

In Russia the World Bank is conducting a randomized assessment of the impact of participatory programs on preferences matching. A program to improve participation that includes training public officials in conducting participatory



meetings, and providing them with consultants, was implemented using a randomized protocol. Some districts were randomly selected for treatment and others as controls. Within the treatment districts, some settlements were selected as treatments and others as controls. Hence the study will be able to examine the impact of a program to support participation on outcomes. This is a multi year study and results should be available by 2010.

A second mechanism may simply be to survey citizens about preferences and communicate the results to local officials. Compared with participatory budgeting, this has the drawback that information does not flow back and forth with ease. For instance in a participatory budgeting process citizens could communicate their preferences, public officials could respond with what services are feasible in the given budget, and the meeting could come to some agreement about how to proceed. This would not be feasible in a survey-based process – even if several rounds of surveys were conducted, the process would be ungainly. On the other hand the survey-based process has the advantage that preferences could be collected from a representative sample rather than the elites – or busy bodies – that are likely to come to and dominate a town meeting.

Compromises could be designed like explicitly inviting randomly selected people to town meetings, or even offering food or refreshments which may provide stronger incentives for poorer people to attend. Alternatively, surveys could be combined with participation, with information collected using surveys before and after participatory meetings. Such a reform may combine the benefits of two-way communication and the reflection of representative preferences in public decision making.

## *Technical appendix*

### *A.1.2 Variance of preferences and preference matching in the Philippines*

To formally test for differences in demand for education, we created a dummy variable for whether the household responded that the money should be spent on primary education. We subtracted the average number of households that responded “primary education” from this variable to create a variable of mean 0 and regressed this variable on district dummies.

$X_i$  = demand for (say) education in province  $i$ , measured by the percentage of respondents who picked education.

$$x_i = X_i - \bar{X}_i$$

Regress without intercept

$$x_i = b_1 D_1 \dots \dots \dots b_{10} D_{10}$$

The F statistic for joint significance of the dummies, tests for the equality of demands across districts. The estimated statistic of 2.01 is almost significant at 1 per cent. We repeated this exercise for all other services – health, roads, new jobs, aid to the poor, water – demanded by more than 5 per cent of the population and found significant differences in demands across provinces.<sup>7</sup>

<sup>7</sup> Trivial levels of demand make differences in demands conceptually less meaningful and statistically more difficult to detect

Are there also significant differences across municipalities within provinces? To test this we constructed a variable equal to the difference between the dummy for “education” and the province mean of “education” responses. We then regressed this variable on all the municipality dummies. The F statistic measures whether there are significant differences in demand for education across municipalities within provinces. The F statistic is significant at 1 per cent, indicating that there are indeed significant differences in demand for education across municipalities within provinces in the Philippines. We conducted a similar exercise for health and other public services and also found clear evidence of differences in demands.

To formally test for a match between households’ demands and public officials’ knowledge of these demands, we regress the public officials’ responses on households’ responses at the provincial level, and at the municipal level using deviations from the national average.

$x_{ij}$  = percentage of households who demand good  $j$  in province/municipality  $i$

$y_{ij}$  = percentage of officials who think households demand good  $j$  in province/municipality  $i$

Both variables  $x$  and  $y$  measured as differences from the national average

Regress  $y_{ij} = b x_{ij}$

#### *A.1.2 Variance of preferences and preference matching in Uganda*

To formally test for differences in demand for primary education, a procedure similar to the Philippines was used in Uganda. The F-statistic for joint significance of the dummies tests for the equality of demand across districts. The calculated F-statistic is 4.1, which is highly significant implying that there are significant differences in demand for education across districts. There is significant dispersion in demand across districts which can be informally stated as “on average the demand for primary education in a representative district is 36 per cent higher or lower than the average demand for education.”

Are there also significant differences across sub-counties within districts? Using a technique similar to the Philippines – described in the previous subsection – we found that while differences in demand for primary education are significant across districts, they are not quite as significant across sub-counties within districts. A similar analysis of malaria also found significant differences across districts but not across sub-counties.

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## 9. The Politics of Service Delivery Reform: Improving Basic Education in Brazil

*Marcus André Melo*

### *Introduction*

This paper discusses a case of successful reform in the educational sector – the Fundef initiative implemented by the Cardoso government (1995–2002) in 1996. This reform can be considered successful because not only has it produced tangible results – in particular an impressive expansion of pupils' enrollment as well as the deepening of decentralization in the sector – but it has also passed the test of political sustainability. In fact, the current Workers Party (*Partido dos Trabalhadores*) administration of Luis Inacio da Silva, “Lula”, (2003– ) has maintained the scheme, and has even recently presented a constitutional amendment to upgrade it, drawing on the same basic approach and *modus operandi* (Melo, 2007). Fundef's success is all the more remarkable considering the hostile fiscal environment in which it has been implemented. Proposed in 1996, it was implemented amidst international crises (the Russian, Asian and “Tequila” crises) – all of which impacted Brazil's fiscal situation and created a highly unstable fiscal situation thenceforth.

Several general lessons can be drawn from this experience that are of broad interest. This case is particularly interesting because successful comprehensive educational reforms are non-anticipated events. Social service reforms are a subset of reforms that in the development literature are usually termed second-generation reforms, mostly because of their institutional focus and emphasis on institutional reform (Navia and Velasco, 2003; Graham and Naím, 1999). They share the problems associated with the latter. A non-exhaustive list of the difficulties encountered includes the following<sup>1</sup>. First, reforms are public goods. These face the classic collective action problem of having to face the resistance of small groups despite the collective benefits that they might generate. This occurs both at the level of initiation and implementation of reforms.<sup>2</sup> Putting in place efficiency-enhancing measures encounters the opposition of many vested interests that can produce a stalemate.

Second, these reforms require the cooperation of many actors to be effectively implemented. These include mayors, unions, teachers and service providers, among others. Severe coordination and incentive-compatibility problems have to be resolved.<sup>3</sup> Third, unlike fiscal and economic reforms – and even initiatives

<sup>1</sup> For extended discussions of this issue and updated case studies, see Kauffman and Nelson (2004a) and Grindle (2004).

<sup>2</sup> When good policies turn bad, this collective action problem generates a bad equilibrium trap (Grindle, 2007 forthcoming).

<sup>3</sup> This problem is compounded at the micro-organizational level by the severe contracting problems (as defined by agency theory) affecting the work of teachers. What actually happens at the classroom level is hard to observe, thereby creating moral hazard problems, and making change difficult to promote (Navarro, 2005).

in the area of social security – there are no clear models to follow (pay-as-you-go, etc). A variety of alternatives have been proposed to implement general guiding principles such as decentralization and the introduction of performance-based incentives (Nelson, 2000, 2005). Finally, the costs of non-reform are low and diffuse. Those more affected by reforms – students and their families – bear the cost of non-reform. Despite ubiquitous references to educational crisis, no sense of urgency exists.<sup>4</sup>

However, despite all these factors that make reform initiatives unlikely, they do happen (Grindle, 2004). Despite the odds, many reform initiatives have been attempted in Latin America in recent years, though with varying degrees of success (Kauffman and Nelson, 2004b). However, failure is not pervasive: rather, it is analysts that have been unable to detect successes (McCourt and Bebbington, 2007). The conditions that favor the initiation of reforms are different from those that lead to effective implementation. In this paper I will concentrate on the latter.

In this paper I will attempt to demonstrate that programs for educational reform that include elements of expansion of coverage may convert the zero sum game situation of efficiency-enhancing measures into positive sum games. In addition, I argue that in decentralized contexts, such as that characterizing Brazil and increasingly also other Latin American countries, sub-national political actors (mayors, governors and associations of municipal/provincial education secretaries) may represent important pro-reform actors (the almost exclusive focus in much of the literature on teachers unions has led to an underestimation of these other actors). These actors – particularly mayors – supported the program because their municipalities stood to receive additional resources and because they could claim credit for the benefits accruing to teachers and families involved – a major consequence of the initiative.

This paper is organized with an introduction and three further sections. The second section presents background information on Fundef, its creation and evolution, and its accomplishments and results. Section three discusses Fundef with reference to the framework set out in the introductory section. The final section concludes.

### *Changing incentive structures: Fundef*

In December 1996, Congress passed Constitutional Amendment 14 which set up the *Fundo de Manutenção e Desenvolvimento do Ensino Fundamental e Valorização do Magistério* (The Fund for the Improvement of Basic Education), Fundef. Proposed by the Federal Executive, Fundef represented an ingenious device created by the Cardoso government to change the incentive structures that were built into the provision of basic education in Brazil. It represents a prototypical type of a second-generation reform initiative. It implies a combination

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<sup>4</sup> The existing literatures on policy reform and policy successes also explain success as the result of reform champions and of hard-to-specify factors such as political leadership, political will or political commitments. I am skeptical of these explanations. A useful alternative concept is policy entrepreneurship. Allegations of a lack of political will can be a blame-shifting strategy used by multilateral institutions for programs that fail for other reasons (McCourt and Bebbington, 2007).

of freeing up existing funds for pro-poor programs by shifting funds from other programs, and administrative reforms associated with changes in incentives to enhance the quality of services and extend their coverage.

As indicated, the Fundef mechanism represents a highly successful initiative of the Cardoso government that led to the deepening of decentralization of education in Brazil. Based on state-level data and controlling for other supply- and demand-side determinants of school enrollment, Mello and Hoppe (2006) found that the increase in Fundef transfers to finance sub-national service delivery had a positive effect on actual enrollment rates, rather than just an expansion of the school network. They also found that decentralization encouraged enrollment: the lower the proportion of students enrolled in the state, rather than the municipal, school network, the faster the increase in enrollment. Extending the empirical analysis to the municipal level confirms the results of the state-level regressions. The initiative also helped improve working conditions and salaries of teachers, particularly in the most remote areas (an average of almost 12% in one year, but in some cases salaries doubled or trebled). The proportion of lay teachers in municipal systems has been reduced significantly and the increase in coverage has also been noteworthy.

Education expenditures considering all levels of government in Brazil increased in the period 1995–2000 from 4.2% to 5.6% of GDP. The net enrollment rate at the primary level increased from 89% to 96% in the period 1996–2001 (World Bank, 2002). Municipal governments accounted for 34% of public primary education enrollment in 1996, but for 54% of enrollment in 2001. At the same time, the relative weights of the different levels of government have changed, with municipal governments now accounting for nearly 38% of expenditures, compared to 27% of expenditures in 1995. Municipalities as a group spent nearly R\$ 24 billion on education in the year 2000, nearly twice what they were spending, in real terms, in the year 1995 (World Bank, 2002).

### **Antecedents**

In Brazil, primary and secondary education is not a functional competence of any specific level of government. According to the Constitution of 1988, primary education was to be provided by the municipalities with the financial and technical assistance of the Federal Government and of the state (Article 30 of the Constitution). Constitutional Amendment 14 contains articles calling for priorities to be given by each level of government but does not mandate a very clear specialization of competence.<sup>5</sup> However, it introduced an incentive scheme that punished municipalities that did not specialize in primary education.

Education financing in Brazil involves a complex distribution of resources that reflects the overlapping distribution of competencies in the area (Castro, 1998). The Constitution of 1988 contained provisions for hard-wiring resources for education. It determined an increase in the resources set aside by the Federal Government to 18% and established a level of 25% of net tax revenues

<sup>5</sup> According to Article 211 of the Constitution, the municipal governments would “give priority” (*“atuarão prioritariamente”*) to pre-school education and primary education (and, according to the Education Guidelines Law, especially grades 1 to 4); the states would prioritize primary (similarly, especially grades 4 to 8) and secondary education; and the Federal Government was to prioritize higher education.

for the sub-national governments. For the Federal Government, Article 60 of the temporary clauses of the Constitution required that for a period of 10 years, 50% of the equivalent of the 18% of revenues was to be allocated to literacy programs and to universalize the coverage of primary education. This proposal was resisted by the planning and finance bureaucracies and by legislators closely associated with these circles.

In the late 1980s and 1990s, the centrality of education to development became a recurrent issue in the public agenda. From business interests to social movements, there emerged a consensus for improving the quality of education. Cardoso's commitment to reforming education was reflected in the fact that he appointed one of his closest economic advisers to the post of Education Minister, in the new recruitment pattern for the key positions at the Ministry, and in the thorough reform of its organizational structure. Cardoso was committed to politically insulating the educational sector. The key policy issue was how to improve education and promote decentralization of the sector.<sup>6</sup>

For Cardoso and his advisers, the problem was the low pay of teachers. In many schools in the rural Northeast, the pay scale was below the minimum wage. With resources hard-wired in the Constitution, the challenge was then how to make sure that teachers were paid better. In 1989 there was a Parliamentary Inquiry Commission on the earmarking of resources for education (the 'Calmon amendment'). The Commission found that states spent less than 20% of the constitutionally required educational expenditures on salaries. It was widely agreed that teachers' exceedingly low pay and lack of training at the sub-national level was one of the main reasons for the low quality of education.

The furor over education finally resulted in the setting up of Fundef by Constitutional Amendment 14, in 1996, and the approval of the LDB (*Lei de Diretrizes Básicas*), the complementary law on basic guidelines for education, in the same year. Fundef required that, for ten years, at least 60% of the 25% of the sub-national resources mandated for education was to be spent in the payment of teachers actively involved in classroom activities and/or in teacher training programs. It also mandated the setting up of career structures for teachers. The resources required for raising pay and training were to come from a specific fund (or more appropriately funds, because, in fact, each state had its own fund). The fund's main sources of finance consisted of 15% of the FPM (the intergovernmental transfers from states to municipalities), 15% of the state's VAT, and a supplementary contribution from Federal Government taxation (Castro, 1998). These sources represent over 90% of the fund revenue, and their respective shares vary significantly across the states. The federal top-up grant represents a small amount, as will be discussed. This is the amount necessary to help those municipalities whose spending levels fall below the national minimum per capita spending set in the country's annual budget law. All transfers to and withdrawals from Fundef were automatic and were formula-based.

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<sup>6</sup> It should be noted that unlike countries such as Argentina and Mexico, primary education was already fairly decentralized. It would be more appropriate to describe the process as the deepening of decentralization in an already decentralized institutional arrangement.



### The functioning of Fundef

Fundef's most important innovation had to do with the mechanisms that governed the allocation of resources from the fund. They are distributed according to the number of pupil enrollments at each level of government. This produced a revolution in the incentive structure of education. Mayors actively engaged in attracting pupils because this would lead to more transfers from the fund. In addition, it encouraged decentralization from states to municipalities because there would be negative transfers in some municipalities if educational services were provided by the states.

The new incentive structure produced two important results: it created strong incentives for municipal governments to expand coverage in their territories and encouraged municipalities to take over educational services provided by the states. The municipalities in which primary education was provided mostly by the state governments had compulsorily to contribute a minimum of 25% of their revenue to Fundef, but would not be able to draw any resources from it. This pattern prevailed in the large states of São Paulo and Paraná. Conversely, in the states where primary education was already decentralized to the municipal level – as was the case in most of the northeastern states, Rio de Janeiro or Rio Grande do Sul – the rules meant there would be a redistribution of resources from the state to the municipalities, particularly to smaller and peripheral municipalities.

Because it was the Federal Executive that set the national per capita spending level, it ultimately had discretion over the amount of resources it channeled to Fundef. With the 1997 per capita rate set at R\$ 300, the Federal Government had to provide equalization funds to eight states (out of 25) – all of them in the north and northeast of the country – whose per capita spending fell below that value. During the period 1998–2002, the Federal Government never set the minimum national standard of quality of education that was required by law. More importantly, the per capita spending was not calculated on the basis of the fund's estimated revenue, also required by law. The initial level of R\$ 300 remained the only parameter.

**Table 1. Minimum per capita spending with Fundef**

Year	Minimum value (R\$)			Annual growth	Inflation rate (IPCA)	Number of states receiving equalization funds
	1st to 4th grade	5th to 8th grade	1st to 8th grade			
1997			300,00	-	-	
1998			315.00	5.0	1.65	7
1999			315.00	0	8.94	8
2000	333.00	349.65		7.9	5.97	5
2001	363.00	381.15		9.0	7.67	4
2002	418.00	438.90		15.1	12.5	4
Cumulative				42.1	42.1	

Source: Ministry of Education, 2003: 4, 8

Table 2. Equalization funds from the Federal Government

Year	Budget allocation (in millions of <i>Reais</i> ) (A)	Executed (B)	% B/A	% B/total Fundef
1998	-	486.6	-	3.22
1999	685.3	579.9	84.6	4.43
2000	682.6	485.4	71.1	3.99
2001	675.4	391.5	58.0	2.77
2002	663.9	431.3	65.0	2.32
2003	657.5	394.9	60.1	-
Average			67.8	

Source: Ministry of Education, 2003: 12 and Costa, 2004: 28

The use of low per capita spending meant in practice that the transfers that the Federal Government had to make to Fundef declined in the period 1998–2003 (see Table 1 and 2). Between 1998 and 2002, nominal GDP grew by 46.0%, Fundef's revenue went up by 76.5% and pupil enrollment rose 5.3%. However, the minimum per capita value increased only 42.1%. This factor, combined with the fact that Fundef's revenues were systematically underestimated, led to a very low level of execution of the budgeted Federal Government transfers to Fundef (an average of 67.8% for the period 1998–2003; see Table 2). The states' and municipalities' share rose correspondingly.

The law that created Fundef was ambiguous as to how the minimum per capita spending should be calculated. The government argued that because Fundef was a state-level fund, the national per capita rate was to be calculated as an average of all state funds (Ministry of Education, 2003). This point became the subject of a huge controversy involving mostly the opposition parties, the representative institutions of the educational sector, and the Public Prosecutors Office. If a national minimum was calculated on the basis of the expected total revenue from earmarked Fundef sources (divided by the total number of enrollments), the national minimum would be set at a much higher level and the Federal Government contributions would consequently be vastly superior. Indeed, according to this latter criterion the national per capita level would be set at R\$ 418.7 (instead of R\$ 315 in 1998), and the Federal Government's share would rise by 423%. The number of states benefiting from the scheme would climb from 7 to 17. For the entire period 1998–2002, the Federal Government contributions represented a mere 15.6% of the estimated total amount it should have contributed if the national minimum parameter had been used (Ministry of Education, 2003: 8).

The rationale for the Federal Government was to control and secure sub-national spending in a context of rapid decentralization and consequently high uncertainty over outcomes. The unification of funding in a single account was key to securing federal control over sub-national spending. Consistent with their preferences for fiscal expansion at the local level, sub-national governments have pressured the government to raise the national universal per capita

level. However, fiscal needs have led the national government not to readjust it. The Federal Government's desire is to control sub-national priorities and spending while keeping its own preferred federal fiscal targets as the ultimate adjustment variable.

### **Impact of Fundef**

What has been the impact of Fundef on the quality of education? The increase in enrollment rates has been well documented but not the increase in quality, if any. A few indicators have been presented in the introduction but they will be discussed here more systematically. Efficiency and quality gains in the case of Fundef seem to be unanticipated effects of the politics of expansion. There is indirect evidence that quality may have improved as well. First there has been a reduction over time in drop-out rates (from 35.9 to 27.7% during 1999–2002) and average class size (from 36 to 33.9 students during 1999–2003), as well as repetition rates and grade-age gaps (Mello and Hoppe, 2006). Other factors may be contributing to these outcomes, but Fundef seems to be playing a role.

Levels of remuneration and qualification play a key role in the quality of service provision. Teacher pay increased by 38% between December 1997 and June 2001. In the northeastern region, pay rose by 70% on average between 1997 and 2000. In addition, since 2002, compensation for non-certified teachers can no longer be financed through the 60% share of revenue earmarked for teacher compensation, leading to a shift in demand for teachers with better qualifications (Mello and Hoppe, 2006). As a consequence, the percentage of lay teachers in total teaching staff countrywide fell from 12% to 5% between 1997 and 2000. In the same period, some 150 000 new teachers were hired, with the total number of teachers climbing to 750 000 (Souza, 2004).

### **Winners and losers**

Who opposed Fundef? Who were the losers and winners? In terms of direct beneficiaries, in the short run the beneficiaries were teachers in municipalities where pay was low. There was also redistribution from urban to rural municipalities within each state. The impact of Fundef also depended fundamentally on the existing balance of enrollments in the state and municipal schools in each state. As noted before, in the short run, the states with a higher share of enrollments stood to benefit more. Conversely, where the corresponding share was small, the winners were the municipalities. The poorest states would also be net winners because they would qualify for equalization transfers from the Federal Government. Note that teachers would be the chief beneficiaries independently of this balance because of the mandated minimum spending of 60% on salaries or teacher training programs.<sup>7</sup> For this reason, the teachers' unions

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<sup>7</sup> Increases in municipal resources have come about mainly as a result of a redistribution of resources from states to municipalities. The Fundef mechanism leads to redistribution only within a state rather than from rich states to less affluent ones. According to the World Bank (2002), state governments in the Northeast and the state of Rio de Janeiro account for a large proportion of the redistributive transfers. A relatively small number of state governments account for a bulk of the redistribution of resources, even though there is some redistribution from rich to poor municipalities.

showed some support for Fundef. However, the unions were dominated by left-wing movements and the parties opposed to the Cardoso government. The largest union, the *Confederação Nacional dos Trabalhadores em Educação* (CNTE), was a member of the CUT – the peak trade union association linked to the PT.

A confederation of state level unions that had states and municipalities as employers, CNTE was fragmented at the national level. CNTE had made raising teachers' salaries one of its banners and pressed for the setting up of a nationally defined minimum. In fact, CNTE (together with UNDIME and CONSED, see below) had pressed for an agreement with the leftist government of Itamar Franco for this purpose. In this agreement, signed in 1994, a national minimum salary for teachers was set at R\$ 300. The government, however, opposed the proposal on political and technical grounds.<sup>8</sup> First, it was thought that it would lead to the creation of a much stronger trade union movement in the educational sector, which was dominated by the PT. Although many top advisers inside the government supported the proposal, it was dropped (*ibid*). Second, many advisers argued this proposal was not consistent with the Brazilian federal structure. Municipalities showed vast economic, fiscal and cost of living differences. Third, many municipalities paid teachers for a specific number of classroom hours, making it impossible to adopt the national minimum.

The other stakeholders involved in the discussion of Fundef consisted of public sector interests. Two institutions were the main actors in the discussion of the initiative: the National Association of Municipal Secretaries of Education (UNDIME) and the National Council of State Secretaries of Education (CONSED). Although they had links (though much weaker) to the opposition parties, they appeared as non-partisan entities. The most active entity was UNDIME, which shared many interests with CNTE (CNTE, 1999; UNDIME, 1999).

UNDIME was set up in 1986 during the democratization process and soon became a forum for the articulation of demands in the educational sector during the Constituent Assembly and for the discussion of the New Law on Educational Guidelines of 1996. It was an umbrella institution for the interests of the forces that criticized educational policy under the military regime. It should be noted that many of UNDIME's demands were incorporated into the proposal for Fundef, including the proposals to 'municipalize' fundamental education and to find more resources for teachers' pay and training. A former President of UNDIME in 1994–1995 – Maria Helena Castro – was appointed to several positions within the Ministry of Education (the positions of Executive Secretary of the Ministry of Education and President of the INEP, the Ministry's think tank). CNTE and UNDIME were strong critics of the level set for the per capita minimum and took the government to court for alleged breach of the Constitution (for not implementing the constitutional amendment it had itself proposed). CNTE and UNDIME campaigned for the inclusion in Fundef of illiterate adults and disadvantaged pupils. The Ministry of Education opposed this latter proposal because it would mean that "many people could potentially be enrolled and we could control attendance as we do in normal schools"<sup>9</sup>. The main opposition came from the Finance Ministry. This created a disincentive to

<sup>8</sup> Maria Helena Castro, interview with the author, July 2004 (various dates).

<sup>9</sup> *Ibid*.

municipalities to enroll these two types of students, because they would not be able to count them as enrollments.

Although it praised the initiative, UNDIME argued that Fundef was a mechanism for “redistributing resources that were already available at the state level” and that by setting the per capita rate at such a low level, the Federal Government was able to avoid spending more resources on primary education (UNDIME, 1999). During the approval of Fundef, the government vetoed three provisions, which subsequently attracted a lot of criticism from both UNDIME and CNTE. These included provisions that allowed young people and adults in the program; that forbade the Federal Government to use its quota of the employer’s tax for education (*salário educação*) as part of its equalization transfer to Fundef; and that called for the automatic transfer of the states’ quota to municipalities rather than to Fundef. These vetoes aimed at guaranteeing that the Federal Government could reduce its contributions to the fund and retain control of Fundef and of municipalities’ behavior. It is interesting to note that these associations ended up playing not the role of critics and opponents of Fundef, but rather that of its strongest supporters. This was so in virtue of the alleged non-enforcement or lack of implementation of all of the provisions. In terms of the predictions in the literature on second-generation reforms, this outcome is a paradox. Rather than opposing the reform initiative, the opposition forces pressed for a more effective implementation of the reform.

More explicit opposition to the reform can be found in the case of the governors of states where decentralization was already quite substantial. Castro<sup>10</sup>, who participated actively in the negotiations, argued that:

we only managed to go ahead with Fundef because we ignored the governors and started a political negotiation directly with the mayors and federal deputies...The big problems were Rio Grande do Sul and Rio de Janeiro. When their governors found out how much they would be losing to the municipalities, they panicked. It was amazing on the day the amendment was finally put to the vote, it was very difficult to coordinate because the governors were pressing very hard, because they hadn’t done their calculations right.

During the negotiation of the amendment and of Law 9424, governors from the ‘loser’ states pressed for a compensation scheme. This came in the form of a program for the refurbishment and enlargement of secondary schools. This program in the Plan *Avança Brasil* was the ‘political payment’ for approval of the Plan.<sup>11</sup>

Much of the change was accomplished at a low cost to the Federal Executive. It managed to design an incentive structure that caused a revolution in the incentives that mayors and governors faced in the education sector. It actually resonated with society’s and government bureaucratic elites’ concern about education and at the same time helped ensure that the Federal Government kept control over the process. It was also consistent with the Federal Government’s concern with fiscal issues. Fiscal constraints led the government not to increase

<sup>10</sup> Maria Helena Castro, interview with the author, July 2004 (various dates).

<sup>11</sup> Ibid.

the per capita level but only to adjust it to the inflation rate. In fact, the government actually reduced the share its equalization funds contributed to total revenue over time.

### *Explaining policy success*

The above narrative on the implementation of Fundef confirms several insights anticipated in the introduction. First, the politics of efficiency and expansion were deeply intertwined. This is not a unique characteristic of Brazil but a trait of most countries in the region for the foreseeable future. Expansion of coverage will be an issue even when countries universalize access to primary education, because the problem will then be transferred to secondary education. Expansion of coverage converts the zero sum game situation of efficiency-enhancing measures into positive sum games, because there is scope for hiring more people, building more facilities and other elements that are always viewed as beneficial for the players involved.

The second aspect to be highlighted is that sub-national political actors, particularly mayors and associations of municipal/provincial education secretaries, played crucial roles in supporting Fundef. The most important of these was certainly UNDIME, which supported rather than resisted the proposal. The nature of Fundef was crucial in this respect because it promised benefits to providers. Elsewhere in Latin America, reforms have been resisted by unions, mostly on ideological grounds. But in the Fundef reform even the highly politicized union linked to the anti-Cardoso Unified Labor Confederation (CUT) was unable to mount resistance because the payoffs to teachers were very clear to all involved. The multidimensionality of the effects of Fundef on the states – which were affected differently by the proposals – was important in thwarting a potential anti-reform coalition of governors. Some won and some lost but, most importantly, those who lost were partly compensated in the short run. It should also be noted that unlike what occurred in the 1990s, governors were politically weak because they were facing a fiscal crisis. Cardoso's stabilization program brought inflation to zero (thereby eliminating the state's short-term financial gains) and raised interest rates, leading the states' debts to soar. Virtually all state governments were being bailed out by the Federal Government and were not in a position to offer resistance.

Third – and this is the most remarkable achievement of the reform – mayors in many states became the most active supporters of Fundef. There is ample anecdotal evidence of mayors and municipal secretaries in the poorest states pursuing pupils who were out of school in their jurisdictions. Most mayors supported the program for various reasons. First, because their municipalities would receive additional resources which they could manipulate to some degree. The level of discretion was to be monitored by the Audit Courts but there is always some scope for discretionary spending and diversion of resources. It should be noted that in some states the mayors actually lost. But overall, on balance the program benefited them. Second, mayors could claim credit for the benefits accruing to teachers and families involved – a major consequence of the initiative. Although the funds were to come from the Fund and sometimes from the Federal Government, ordinary citizens do not have information that

allows them to clearly identify the authorship of proposals. They can only see the final outcomes, and these were tangible. After all, pay rises for teachers are municipal executive orders.

Fourth, even when resources are shrinking major reforms can be accomplished. The fact that the Federal Government's contribution declined over time was non-anticipated. But Fundef's success even when resources were diminishing is a remarkable example of the positive effects of a good incentive structure. Fifth, although Brazil does not have a national teachers' union, unions did play a crucial role at the state level. Instead of the predicted resistance to reforms, unions actively participated in implementation, calling for the proposal to be effectively implemented as 'planned'.

A final comment is that the lack of a sense of urgency may find a functional equivalent when the issue of educational underachievement acquires the extraordinary visibility it did in Brazil. Public discussion of educational problems was indeed much enhanced because of the program.

### *Concluding remarks*

The case of Fundef illustrates how reform design can help to overcome resistance to reform. It is usually assumed that second-generation reforms produce only 'losers' and few or no clear 'winners'. The benefits of reform are usually assumed to be public goods. In the case of Fundef, it is clear that the reform benefited a specific constituency – the teachers and smaller municipalities. Therefore, teachers' unions and educational sector interests turned out to be not veto points but pro-reform constituencies. Although most of these interests were ideologically opposed to the Cardoso government, they were unable to oppose the reform proposal as such. The case of Fundef also shows that a very important class of losers – the state governors – could not hinder the reforms. They were partially compensated by the Federal Government. The fact that the proposal was designed by a team of domestic experts and was not a transplant from abroad also reflects the importance of the process of professionalization that occurred in the education sector. In addition, the case of Fundef also illustrates how the Federal Government could put the reform into practice in a context of fiscal austerity. Increased rates and improved collection of the taxes from which Fundef was tapped caused the compensation funds from the Federal Government to gradually decline, but with more resources being channeled to primary education.

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## 10. The Provision of Health Services in Brazil: Decentralisation and Participation

*Cláudio Duarte*

### *The starting point*

Social policy in Brazil has undergone significant changes in the past fifteen years, the greatest of which has been the institutionalisation of health policy by the setting up of the Unified Health System - “*Sistema Único de Saude*” - SUS. The SUS is, essentially, the result of two phenomena: the existence of a health reform movement, and how it was institutionalised. The health reform movement emerged and was consolidated in the 1970s and 1980s as a product of the struggle to bring together grass-roots and trade union movements, technicians and professionals linked to academic and research centres from civil society organisations (including women’s movements) and sectors of the National Congress. The movement reflected experiences with previous programmes that aimed at extending medical treatment and successful health management programmes at local level<sup>1</sup> (Escorel, 1998). These programmes gave the movement experience, which increased its capacity to exert pressure and influence changes in existing health policy.

The main demands of the health reform movement were: the introduction of a new national health system, ensuring that health policy and services were universal, and that the right to medical assistance was extended to all citizens<sup>2</sup>; the democratisation of policy-making in the health field with greater participation from the general public in overseeing health services; the decentralisation of health services (until then under sole responsibility of the federal government) to state and municipal governments, and the development of integrated health programmes linking medical care with preventive actions and promotion of health. At national level, one of the concrete results of the movement was the 8<sup>th</sup> National Health Conference held in 1986. This conference promoted by the Ministry of Health brought together about 5000 individuals, 1000 of whom were delegates. These delegates represented public health officials, health service providers, civil society organisations and health workers (medical staff). The meeting established the conceptual bases, principles and guidelines for a new system of health provision that was subsequently incorporated into the National Constituent Assembly of 1988. It was a time of re-democratisation and the rise of social movements. A new government had come to power in

<sup>1</sup> Brazil is a federal republic composed of a Federal Government, 27 State governments and 5.565 local authorities

<sup>2</sup> Until the introduction of the Unified Health System in the beginning of the 1990s, only salaried workers had the right to medical assistance at federal government units. The poorest sectors of the population and the unemployed were treated by federal government hospitals or by non-profit organisations.

1985, a coalition called the New Republic. At the Ministry of Health, the team was made up of technical staff with experience in managing health policies. The Ministry of Health initiated the implementation of programmes to decentralise resources and responsibilities to the State Health Secretariats with a view to promoting the extension of coverage and the implementation of preventive action.

The new Constitution included the main points endorsed by the 8th National Health Conference. This was a significant and unprecedented chapter in the history of health. It represented the beginning of a new era, in which the process of institutionalisation and operationalisation of the SUS was the most important feature.

### *An advanced set of institutions*

The Brazilian Federal Constitution guarantees health as a right of all citizens, being the duty of the State to ensure that it is provided through public social and economic policies. The bases of the new health system can be summed up as follows: universal and equal access to health actions and services; the setting-up of regional, hierarchically organised and decentralised health care networks; single management for each level of government<sup>3</sup>; public funding from the federal, state and municipal governments; services free of charge at the point of delivery; and the participation of private initiatives in health provision. The operational details of the new system came with the establishment of the following organic health acts: Act 8080/90 and Act 8142/90.

These legal instruments defined the organisation and responsibilities of the SUS, the criteria for sector funding, the forms of social control over policy-making, as well as the control of spending and of the quality of the services provided. It was around the new Federal Constitution and the Health Acts that state and municipal governments began to structure their health systems. The management of health policies and services was carried out in collaboration between the federal government, states and municipalities. Each sphere of government had its responsibilities laid out in detail in a list of norms published by the Ministry of Health, and agreed upon by a national commission of representatives of the Ministry of Health and of the State and Municipal Health Secretariats. This is a permanent commission working together with the National Health Council as the main forum for agreeing on how the SUS is run nationwide.

Apart from the Ministry of Health, the federal government has two regulatory agencies that were set up under the Fernando Henrique Cardoso administration: the National Health Surveillance Agency (*Agência Nacional de Vigilância Sanitária, ANVISA*) and the National Supplementary Health Agency (*Agência Nacional de Saúde Suplementar, ANS*). It also has two foundations: the Oswaldo Cruz Foundation (*Fundação Oswaldo Cruz, FIOCRUZ*) and the National Health Foundation (*FUNASA*). ANVISA controls the quality of services and inspects the production and sales of medicine and other products. ANS

<sup>3</sup> At each level of government, the SUS is managed by the health manager: the Ministry of Health, at federal level, the State Health Secretariat, in the states, and the Municipal Health Secretariats, in the municipalities.

regulates and inspects health insurance plans<sup>4</sup>. FIOCRUZ is the main agency for research and staff training. FUNASA takes part in the execution of health policies, especially in poor rural areas, and coordinates national health policies for indigenous peoples<sup>5</sup>.

From the mid-1990s onwards, the roles of providing medical assistance and other kinds of action of a preventive nature, up to then restricted to federal and state levels of government, were decentralised to the Municipal Health Secretariats. Today, the Ministry of Health is no longer responsible for medical care except in special cases, such as the National Cancer Institute, a federal organ set up in the 1940s and responsible for coordinating national cancer care policies as a national reference point. The management of care for hospital patients and outpatients is thus carried out principally by the State and Municipal Health Secretariats. Generally speaking, the State Secretariats are responsible for providing more specialised hospital services or those of hospitals that are regional in scope. The Municipal Health Secretariats manage the basics and hospital care of medium- to low complexity. Towards the end of the 1990s, large-scale municipalities<sup>6</sup> and state capitals progressively took on more responsibility for the management of hospital medical care involving more specialised services.

These municipalities are considered to be full managers of the SUS and are therefore mandated to draw up health plans and programmes with comprehensive budgets, covering everything from the funding of medical care to preventive programmes, health promotion, health and epidemiological surveillance and control of communicable diseases. Small-scale municipalities have, in particular, benefited from the decentralisation of health services, as they have come to receive monthly allocations of federal resources to fund basic health services, as well as laboratory and hospital treatment of low complexity. In the past four years, the State Secretariats have drawn up programmes for providing services in collaboration with municipalities where the responsibilities in terms of medical care for their inhabitants is decided. For diseases of national significance, such as AIDS, malaria, dengue fever, tuberculosis, and leprosy, the Ministry of Health still has important functions, especially in the coordination and funding of national plans to control and eradicate such diseases.

In the past ten years the Ministry of Health has been trying to change the model of medical care based on hospitals and outpatient centres with medical specialisations, which dominated the country until the 1980s. For this reason, it has been extending and bolstering its basic health services, which are delivered directly by the Municipal Health Secretariats. The main initiatives to this effect were the introduction of the Community Health Agents Programme in 1991, the Family Health Programme in 1994, and the Basic Care Minimum in 1997.

The Community Health Agents Programme (PACS) emerged as a local experiment in the State of Ceará in the 1980s. Health agents operated during the rainy season to combat infant mortality. This experiment was turned into a

<sup>4</sup> In Brazil, around 40 million people have private health insurance plans.

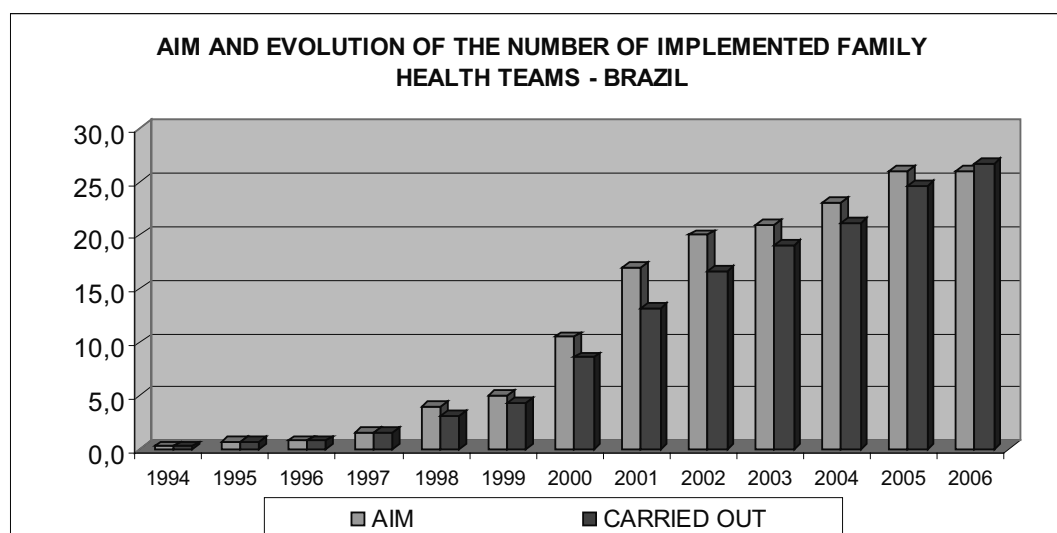
<sup>5</sup> Around 350 000 indigenous people live in Brazil, most of them living in the Amazon region and in the mid-west.

<sup>6</sup> 231 municipalities have more than 100 000 inhabitants, 33 more than 500 000 inhabitants, and 4037 less than 20 000.

national programme by the Ministry of Health in 1991. From then on, municipalities received financial and technical incentives to introduce the programme in their governments. PACS, which is run by the Municipal Health Secretariats, hires individuals from the community where they are based, who, through specific training carry out preventive actions, health education and detection of risk factors. The agents are also a link between the community and the primary care units, thereby facilitating access and promoting better relationships with the health services. Each community health agent is responsible for around 170 families through house calls, using a register of the beneficiary households. The activities of the programme have contributed to a growth in vaccination figures and have encouraged more mothers to breastfeed, thereby backing up efforts to reduce infant mortality and to improve women's reproductive health (Macinko, et al. 2006).

In 1994 the Family Health Programme (*PSF - Programa Saúde e Família*) was introduced. The PSF was adopted as a strategy to complement PACS activities by including doctors, nurses and technicians in the teams. Each PSF team is responsible for 1000 families full-time, carrying out clinical consultations, educating, performing outpatient procedures and treating minor emergencies. The programme rapidly spread across the country, especially after the year 2000, also in large-scale municipalities and metropolitan centres (Magalhaes and Senna, 2006). In 2006, Brazil had 26700 PSF teams and 85 million people were covered by PSF throughout the country.

Table 1. Aim and evolution of the number of implemented family health teams – Brazil, 1994–2006



	Year												
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
AIM	0,3	0,7	0,8	1,6	4,0	5,0	10,5	17,0	20,0	21,0	23,0	26,0	26,0
CARRIED OUT	0,3	0,7	0,8	1,6	3,1	4,3	8,6	13,2	16,7	19,1	21,2	24,6	26,7

Source: [www.saude.gov.br](http://www.saude.gov.br) (Brazil, Health Ministry)

Training centres for the PSF teams involving universities and nursing colleges have also been set up. One of the main hindrances for expanding the programme is the lack of professionals, especially doctors, with suitable experience in primary care. To address this problem, medical and nursing colleges are being encouraged to change their syllabuses and fields of practice for students, with the introduction of teaching in the communities, attended by the PSF.

The main impact of the Family Health Programme has been the reduction of hospital admissions for diseases that are treatable with primary care, greater control of chronic diseases such as hypertension and diabetes, improvement in reproductive health and increased coverage for pre-natal consultations, as well as a more widespread use of family planning techniques (Cufino, et al. 2000; Paiva, et al. 2006).

The Ministry of Health, in a partnership with the World Bank, has sought to back up the expansion and consolidation of the PSF in large urban centres. One programme, known as the Programme for Expansion and Consolidation of Family Health, PROESF, allocated in its three phases funding of USD 550 million (50% Federal Budget and 50% World Bank). With the expansion of the Family Health Programme in urban centres, it is hoped that a change will occur in the model of medical care, with primary care and health promotion gaining power. Some of the aims are to promote greater rationalisation of spending on hospital and emergency care, improve access to actions to control and prevent chronic diseases through improved clinical supervision and the implementation of community-based actions, thereby encouraging changes in the habits and lifestyles of individuals (especially the poorest members of the community) (Health Ministry, Brazil, 2005).

Another way of encouraging the expansion and improvement of primary care was the introduction of the Minimum Primary Care Transfer (PAB). Launched in 1998 by the federal government, PAB allocates resources to the municipalities on a *per capita* basis and transfers them directly to municipal health funds<sup>7</sup>. These resources are earmarked for the funding of improvements in infrastructure, purchase of equipment, payment of salaries and the cost of drugs and other consumer goods. At first, the value of the PAB stood at 10 *Reais* per inhabitant per year, but was readjusted in 2005 to 13 *Reais* per inhabitant per year.<sup>8</sup>

The introduction of the Minimum Primary Care Transfer has improved the distribution of resources for basic care for the benefit of the poorest and smallest municipalities. The programme also led to better regional distribution of SUS resources, for the benefit of the northern and north-eastern regions of the country. Furthermore, it brought about a rise in the number of professionals working with primary care, caused an expansion of the outpatients network in small and medium-sized municipalities with a tenfold increase in the number of medical clinics and a twelve-fold rise in the number of Family Health Programme teams. Another highly significant result was the expansion of action to control and prevent diseases. There was a 54% rise in the control of diabetes,

<sup>7</sup> Federal Law No. 8142/92 set up Health Funds at the three levels of government. It is through these funds that all SUS resources are transferred. The funds are public accounts subject to inspection by Congress and the Health Councils.

<sup>8</sup> 10 *Reais* are equivalent to USD 4.9 (April 2007).

40% in the control of cervical cancer, 49% in all-round children's health care, 46% in vaccination for pneumococcus, 54% for influenza, and 43% for hepatitis B (Health Ministry, Brazil, 2002).

In spite of increased spending on basic care, most SUS resources are still earmarked for hospital and outpatient care of high complexity. The country has 5739 hospitals: 2111 in the public sector, 3481 in the private sector, and 147 teaching hospitals. More than 11 million people are admitted into hospitals each year at a cost of more than 6 billion *Reais* (Health Ministry, Brazil, 2006). Services are contracted from private hospitals, whether they operate for profit or not, by State and Municipal Health Secretariats. The main form of payment for hospital services is by means of admissions. More recently, some Municipal Secretariats have been introducing management contracts with key hospitals where treatment targets and quality control parameters have been introduced as well.

In the last ten years, the federal government, with the backing of the International Bank for Reconstruction and Development, and the InterAmerican Development Bank, has invested in improving the quality of hospital care, by means of the REFORSUS project. REFORSUS resources have been allocated to repairing and building public sector hospitals and laboratories, training hospital managers, purchasing equipment and setting up networks for the treatment of trauma and the management of high risk care. The REFORSUS project came to an end in the beginning of 2001, having invested around USD 650 million. Despite improvements in the structure of hospital care networks, there are still a number of challenges to be overcome. The quality of hospital management is one point that affects the performance of hospitals, mainly public ones. Some hospitals are introducing projects to pay more respect to patients' wishes, especially in public sector maternity hospitals, which are a point of reference in high risk management. The number of projects, however, is somewhat limited. Difficulties are still encountered in terms of access to specialised care and there are long waiting-lists for transplants and non-urgent surgery. The links between hospitals and PSF units are still somewhat weak. The process of integrated coordination and management of these two levels of care is still under development, especially in the case of the country's large-scale municipalities and metropolitan regions.

### **Increased spending, but continued distortions**

The funding of the SUS is shared between the federal government, states and municipalities through their public budgets. In 2001, a constitutional amendment was passed, EC 29/2001, which set the minimum share of funding for health for the federal, state and municipal governments. Through this amendment, the federal government is obliged, as of 2001, to correct its budget according to variations in GDP. States must use at least 12% and municipalities 15% of their revenue in this area. With the approval of EC 29/2001, public spending for the sector has been growing, especially that of States and municipalities. In addition, a system for information and control of spending on health was introduced in 2001, called the Public Health Budget Information System.

Despite the growth in spending, Brazil still invests less in health than other countries in the region. The distribution and effectiveness of spending has been criticised by specialists for the past 20 years (Uga, Piola, Porto, et al. 2003). Spending on primary care is still not enough to make it the main gateway into the health system, controlling access to more specialised care. Distortions in the pattern of spending on admissions to hospitals still exist, such as in the area of psychiatry.

### **A Health System with Social Control**

Another outstanding feature of the health reform in Brazil has been the participation of the general public in policy design and control over implementation. As noted, such participation was also decisive in establishing the basic principles of Brazil's health policy. Participation and social control regarding the SUS is manifested in three ways: in health conferences, in health councils, and through organisations that represent health-care consumer groups, and/or those afflicted by diseases, and non-government organisations.

Health conferences are held every two to four years at federal, state and municipal levels and their resolutions are the basis for guiding the elaboration of health plans and the review of policies in the sector. Delegates are elected from civil society (50% of the participants), health workers (25% of participants), chosen amongst health managers – who hold political office in the municipalities and are charged with commissioning services – and representatives of the private sectors (25%). Health Councils exist at all three levels of government with a mandate to approve health plans and keep track of their implementation, monitor health budgets and approve accounts. No federal health funds are transferred to states and municipalities unless the Health Council has approved of the budget, health plan and accounts. The Councils are made up of government representatives, health workers, service providers and SUS users. User representatives have 50 per cent of all the available vacancies in all the Councils. The participation of civil society organisations and representatives of patients in the implementation of health policies has increased in recent years. These organisations now have a more clearly defined field of operation.

A good example are the NGOs that monitor the execution of policies regarding the prevention and control of AIDS. From the outset, Brazil's programme for controlling AIDS has sought to involve those affected by the disease, their family members and civil society organisations. NGOs have progressively come to play a special role in prevention campaigns and the provision of social support. This interaction between government and NGOs has probably contributed considerably to the good results that Brazil has achieved in terms of controlling HIV/AIDS.

Social control, on the other hand, faces a number of challenges. Councils in small municipalities still function poorly, as a result of weaknesses in social representation and the heavy-handed intervention of public authorities, who co-opt or pressurise the leaders who are most pro-active or representative. Some initiatives at national level have been carried out with a view to strengthening the functioning of the Councils.

Investment in training activities for Council members and the process of

collaboration with prosecutors are also worthy of note. Furthermore, the existence of a network of Council members, which meets every two years, has allowed a greater exchange of experiences and greater political maturity on the part of representatives of the general public. It is estimated that there are more than 80 000 council members in the whole country, operating in more than 5500 Municipal Health Councils. This puts significant pressure on governments and mobilises a large number of people to defend effective and efficient public health policy.

### **The experience of Cabo de Santo Agostinho: building up health policy through participation and social mobilisation**

Let us now turn to the restructuring of health policy in the municipality of Cabo de Santo Agostinho, which began in 1997. Cabo de Santo Agostinho is one of the most important municipalities in the Recife Metropolitan Region, which is the capital of the state of Pernambuco, in the north-east of Brazil. Since the 1960s, Cabo has become an industrial city, with the arrival of rubber, chemical, brewery and metal-working industries. In recent years, new companies have set up in the wake of the growth of the major Suape export port and its industrial hinterland.

Tax revenues in the municipality are among the highest in the state. However, the city is beset by significant deficiencies in the areas of housing and sanitation. The population of Cabo in 1997 stood at 147 000 inhabitants, and 80 per cent of the municipality was urban in nature. The municipality extends over an area of 400 square km.

In 1997, local elections brought to power a new administration supported by parties of the left wing: the Popular Socialist Party, the Workers' Party, the Communist Party, and the Socialist Party of Brazil. The elected mayor had run the municipality eight years earlier and had maintained strong ties with grassroots, peasants and women's movements, and Roman Catholic communities. His election represented a return to power of the left wing after four years of government by local centre right-wing groups.

The new government team was made up of a number of technical experts with experience in running large-scale municipalities and of state administration, as well as office-bearers from the coalition parties. As is common in Brazilian politics, the transition from one administration to the next was somewhat fraught. A series of social problems were inherited from the outgoing team, such as shortcomings in the education sector, a disorganised administrative machine and a health service network at a partial standstill due to lack of drugs and unmotivated staff.

Table 2 illustrates how the health situation in the municipality changed quite considerably after the new administration had been put in place. The account that follows will describe the measures undertaken to improve health provision in the municipality.



**Table 2. Health indicators in Cabo de Santo Agostinho, 1996–2003**

Results in terms of health								
Indicators	1996	1997	1998	1999	2000	2001	2002	2003
Infant Mortality Rate in children under one year old (per 1000 live births)	41.8	30.3	27.3	29.1	24.0	21.2	18.3	16.2
Maternal mortality rate (per 100 000 live births)	–	–	64.0	54.8	56.3	85.2	0	0
Rate of admission to hospital for strokes (per 10 000 inhabitants)	91.8	83.8	55.2	45.1	50.9	62.4	52.2	35.8
Percentage for abandonment of tuberculosis treatment (%)	–	45	35	34	28	25	20	9.0
Percentage for abandonment of leprosy treatment (%)	–	30	27	25	20	17	9.5	7.0

Source: Cabo de Santo Agostinho Municipal Health Secretariat

As its first measure, the Health Secretary's team adopted an emergency plan aiming to ensure that patients were attended as soon as possible and that the health care network was provided with basic supplies. The administration's plan of action focused on the following points:

- ✓ Increasing the Municipal Secretariat's resources through the certification of the municipality in the Ministry of Health;
- ✓ Introduction of the Family Health Programme;
- ✓ Setting up a distribution centre for the supply of drugs;
- ✓ Introduction of a policy for integrated women's health care to reduce infant mortality;
- ✓ Reopening of the municipal maternity hospital and an emergency clinic in one of the communities;
- ✓ Appointment of a coordinator responsible for women's health;
- ✓ Restructuring of the Municipal Health Council and convening a municipal health conference;
- ✓ Installation of an information and epidemiological surveillance unit;
- ✓ Elaboration of a project to refurbish the local state hospital.

The four main lines of action were: a) the introduction of the Family Health Programme as a way of reorganising the whole system of preventive medicine and health promotion; b) certification of the municipality in the decentralised management of the SUS with greater funding from the Ministry of Health; c) physical restructuring of the care network; and d) social mobilisation and strengthening of partnerships with the Municipal Health Council and with civil society organisations, especially grass-roots and women's movements.

The process of municipalisation of services was already complete by the end of the first year of the new administration and gave rise to a four-fold increase in the quantity of resources allocated for health. The City Hall managed to form strong links with the Ministry of Health and with the state government, thereby making it possible to refurbish the local hospital by the end of the second year of the administration. The municipal maternity hospital was reopened and a

programme for giving women greater choice in the birth process and encouraging natural childbirth was introduced (Rede Saude, 1999). The provision of drugs was planned with a view to expanding the network of services in the first two years with standardised medication introduced for mental health, hypertension, diabetes, and women's and children's health.

The greatest challenge, however, was the restructuring of outpatients care with a change from the traditional pattern of curative treatment to a model with greater emphasis on prevention and health promotion. This approach was chosen in an effort to universalise basic health care with the introduction of the Family Health Programme. The team was fully aware of the potential that the programme should have in order to change the existing model of care, and the strategy for its introduction was planned to be guided by public participation.

The implementation plan was discussed at the Municipal Health Council. At first there was some scepticism on the part of the Council as to whether the initiative would be successful. Such a programme had never been tried in the municipality. There were few doctors living in the city and too few health units to accommodate the planned teams. The programme required direct access to emergency services, the allocation of ambulances in the poorest neighbourhoods and treatment carried out by specialist doctors. The administration was not unaware of these issues. The implementation plan was drawn up along with solutions to these needs. This allowed the Council to participate progressively in the process as the teams set to work.

One coordinating group was responsible for implementation. The team was made up of a doctor with experience in planning and five technical experts in epidemiology, women's health, children's health, service programme-building, and financial administration. All the units were set up in accordance with the following routine steps: discussion in the Health Council of the district served; presenting the organisation of the programme to the community<sup>9</sup>; start of work with introductions to the professionals involved; registering all individuals covered by the programme; evaluation of the functioning of the programme in a meeting with the community after thirteen months.

This process helped to get the local people involved in the programme. As this was a new scheme, there was some suspicion on the part of the general public regarding the way the programme was to function. Many complained that medical care did not involve the presence of specialists, such as paediatricians. With time, when twelve teams had already been set up and the programme had been running for six months, the inhabitants of Cabo had already fully accepted the initiative.

The main features that contributed to this were the following: ease of access to units for patients; the ability of the team to solve the main health problems; the availability of a full-time service; good relationships between the teams and the community; and frequent meetings between the programme coordinators and the community to discuss the introduction of the new scheme.

The setting up of the programme in the first two years of the new administra-

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<sup>9</sup> One of the greatest difficulties encountered when setting up the PSF was the lack of suitable physical accommodation. Most of the communities were very poor, without suitable buildings for the purposes of the programme.

tion was the main strategy for restructuring the local health system as a whole. This is because, at the end of this period, when 28 teams had been established and the maternity hospital and emergency clinic reopened, there was a high level of implementation for specific health care programmes, such as those for mental health, all-round women's health care, children's health care, control of hypertension and diabetes, and control of tuberculosis and leprosy.

A number of precautions were taken in the course of this process. Adequate installation of the units, the selection of a professional staff genuinely committed to the strategy and with a suitable profile for working in the community, supervision and continuous support for the work of the teams, training of professional staff with an emphasis on strengthening the clinical skills of doctors, accountability to the community from the teams. Thus, the way in which the Family Health Programme was introduced may have contributed to the high level of sustainability of the initiative. Nine years after the first team was set up, the number of teams has grown to 32, which attend to 72 per cent of the total population of the municipality.

The Family Health Programme is the main way of introducing primary care into the health system in Brazil and as such it was adopted as an experiment in Cabo. Its characteristic feature is its capacity to interact with and mobilise the general public to act proactively in defence of their health. Its community base, translated into permanent action on the part of health officers, stimulates the participation of the community and allows the sharing of experience of reorganising health practices around the everyday lives of patients in their real social and cultural context.

The participatory nature of the process has probably been a key factor in ensuring the sustainable functioning of the programme in the past few years and may have contributed to the impact made on the state of health of the population of Cabo de Santo Agostinho.

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## 11 Has the distribution of public health services become more equitable? Reflecting on the case of São Paulo

*Vera Schattan P. Coelho and Nílian Silva*

Health is a basic human right and a responsibility of the State, guaranteed through social and economic policies that aim to reduce the risk of illness and other problems and by universal and equal access to the facilities and services that promote, protect and recuperate it. (Federal Republic of Brazil. 1988 Constitution, Article 196).

### *Persisting inequalities<sup>1</sup>*

Brazil has a public health system that was set up in 1930, with the creation of the Ministry of Health, and grew in strength in the 1960s with the creation of the National Institute for Social Security (INPS), which was substituted for the National Institute for Medical Assistance and Social Security (Inamps) in 1977. However, from the end of the 1970s different studies began to be presented by researchers in the field of public health, managers of the public health system, users associations of these services and international agencies pointing to significant distortions in the distributive profile of the resources allocated in the area of health. On the one hand, during the mid-1980s, it was already a recognized fact that 40 percent of public resources for health went towards financing complex medical procedures, whilst basic services were not a priority. On the other, only those workers who were in formal employment, and thus had all the requisite working papers, had the right to the services provided by Inamps, whilst those who worked in the informal sector, and thus did not pay direct taxes, were not entitled to these services. Furthermore, there was a significant inequality in the distribution of resources between the different regions of Brazil. For example, the Southeast region, the richest and most developed area in Brazil, had 43.79 percent of the population but received 59.28 percent of the resources in 1986 (Souza, 2003).

With the aim of changing this situation, the Unified Health System (SUS), a public health system with universal and unconditional coverage, was set up in Brazil towards the end of the 1980s. The SUS constitutes an innovative model for the nationwide provision of public health services and facilities, incorporating new forms of management aiming at the decentralization and democratization of the Brazilian health policy. In its original conception, it was envisioned that the SUS would integrate the branches of preventative and curative medicine, as well as public and private services, in a single national system.

<sup>1</sup> This paper presents partial results of the research "Transformations in the distribution of public health services in the municipality of São Paulo", carried out by the Centre of Metropolitan Studies/Brazilian Centre of Analysis and Planning, Cebrap, with the support of the Foundation for Research Support of the State of São Paulo and the Citizenship Development Research Centre/Institute of Development Studies at the University of Sussex.

It is worth noting that the implementation of this system during the 1990s went against the tendency of the reform of the Social Welfare State in the 1980s, which came in the wake of increasing fiscal and demographic pressures. The Welfare State reforms agenda defended only the implementation of assistance programmes deemed essential – such as basic education, primary health care, distribution of basic food baskets – designated for poverty-stricken members of the population (Carneiro Junior, 2000). In this context, the organization of the SUS required a great deal of effort, on the one hand in breaking away from the model upon which the Brazilian health system had been structured – centralized, privately-operated and access to which required participation in the formal work market. On the other, it involved confronting the restrictions set up by an international and national political and economic context which did not favour the institution of universal social policies.

As argued by Cornwall and Shankland (2007), the impetus that led to the creation of the Brazilian SUS grew out of a conjunction of elements. First, there was the democratization of political and societal institutions in the post-dictatorship period and a strong political commitment from social movements and left-wing parties to the provision of publicly-funded services to all Brazilians. Second, we can point out the successful mobilisation by the *movimento pela reforma sanitária* (movement for health reform) that was supported by Christian grassroots communities, intellectuals, students and public health physicians and workers and gathered momentum and influence over the course of the 1980s. Third, there were innovative institutional experiments, which will be discussed through the article, which provided the inspiration for mechanisms for popular involvement, accountability and decentralization within the SUS architecture. These factors were decisive to sustain a compact between state and citizens which could ensure the political sustainability of the SUS.

In order to advance the SUS, a variety of programmes and management strategies were adopted during the 1990s. The results of studies which aimed at analyzing the impact of these initiatives at the turn of the new millennium show that whilst the mechanisms put into action by the SUS have significantly increased access to health services, the distributive profile of this access has not changed greatly. Marques and Arretche (2004), analyzing the distribution of public health services throughout Brazil, observed that:

Whilst the per capita average production of outpatient clinics in Brazilian municipalities rose from 7.5 in 1997 to 9 in 2000, the standard deviation remained the same (4.5). That is to say, access increased, but inequality in the production of outpatient clinics across the municipalities remained the same. Home visits by municipal outreach programme agents were practically non-existent in 1997 and leapt to a national average of 1.2 in 1999. Although higher in volume, home visits were still largely concentrated to richer areas in 1999 (...) The production of high-complexity services increased, but only in a few leading municipalities, thereby further concentrating the offer of such services (...) [F]ederal transfers to reimburse hospital service providers increased – especially for high-complexity services. However, the distribution of services did not change and the provision of services remained unchanged.

Coelho and Pedrosa (2002) through their analysis of the distribution of public services in São Paulo, in 2001, point out that:

The offer of primary appointments, which in the conception of assistance by the SUS should be distributed relatively homogeneously throughout the municipality, continues to be highly concentrated in the central districts, where the most educated segment of the population with the best indices of income and health are to be found (...) [T]he same situation was found when analyzing the number of hospital admissions used by inhabitants in each health district, as well as the cost of such admissions. There is a positive correlation between them and the average number of years of schooling and the income of the person responsible for the house (...) Analysing this data together shows that we are still a long way from achieving an adequate provision of basic health and hospital care for the poorest members of the population in the municipality of São Paulo.

These findings follow in the same vein as the analysis presented by the World Development Report 2004, "Making Services Work for the Poor", that highlighted how service provision is skewed in favour of the better off. Furthermore, the report illustrates that it is difficult to change such a distributive tendency, even though there is, as has been briefly set out above and will be discussed in greater detail in the next section, a deliberate effort by agents, both from within and without the government, to change this situation.

Whilst the situation is a long way from being ideal, it is nevertheless possible to identify a reduction in the inequalities in the inter-regional distribution of public health resources if a comparison is made between the pre- and post-SUS situation.

**Table 1. Inamps vs. SUS: Reduction in Inequalities in the Regional Distribution of Resources for Health Assistance, by Region, 1986–2001.**

Regions	% of Resources		% of Population		Relative Increase (Resources)
Mid-West	5.02%	6.81%	6.78%	6.85%	35.66%
Northeast	18.10%	27.08%	28.82%	28.12%	49.61%
North	2.27%	6.42%	5.48%	7.62%	182.82%
Southeast	59.28%	44.16%	43.79%	42.62%	-25.51%
South	15.14%	15.52%	15.12%	14.79%	2.51%
Brazil	100.00%	100.00%	100.00%	100.00%	

Source: SAS/MS 2001 in: Souza, 2003. Chart: CEM/Cebrap.

In the same vein, in a recent work Coelho and Silva (2005) followed the distribution of public health services in the municipality of São Paulo between 2001 and 2005. They came up with results that confirmed the already recognized fact that the highest levels of consumption were concentrated in the richest and most educated areas, which also had the best epidemiological indicators.

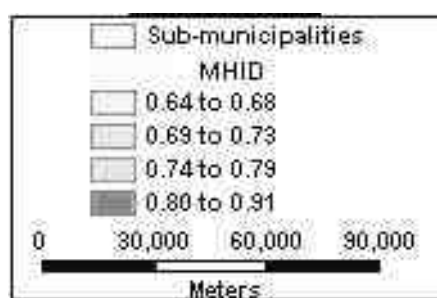
Nevertheless, they also pointed out a new fact, that the consumption of services was increasing at a greater rate in the poorest sub-municipalities, as well as the fact that there has been a reduction in the disparity between the consumption of services across the sub-municipalities with the best and worst indices of income, education and health.

In the next section, data is presented which shows the distribution of public health services in the Municipality of São Paulo and the changes that have been taking place in this distribution. In the third section we aim to identify the mechanisms that have contributed towards improving the access of the poorest groups and regions to health services. Finally, we conclude with a brief note about the capacity of survival of a system like the SUS which is committed to providing complete and universal health coverage.

### *Changes on the horizon?*

The city of São Paulo, which has a population of over 10.5 million, is conspicuous for sharp social inequality and unequal access to public services (CEM, 2002). As in other Latin American mega-cities, the poorest areas are located on the outskirts. Wealthier areas, concentrated in the city centre, receive more public services and have the largest number of facilities, while poorer areas have the lowest levels of access to them. To counter these trends, the city was subdivided in 2001 into 31 sub-municipalities, political administrative regions, the so-called “subprefeituras”, with the aim of fostering decentralization and citizen participation. The population of these sub-municipalities varies from 134,204 to 630,202, and their Intra-Municipal Human Development Index (IMHDI) varies from 0.65 up to 0.91<sup>2</sup>.

Map 1. São Paulo’s Sub-municipalities by Municipal Human Development Index.



In order to facilitate the description of the intra-municipal distribution of health services the city’s 31 sub-municipalities were grouped into four quartiles according to their ranking in the Municipal Human Development Index (MHDI).

<sup>2</sup> The MHDI is constructed for each sub-municipality from the following variables: the per capita household income, the household head’s average number of schooling years, the illiteracy rate of those aged 15 years and over (data provided by the Demographic Census of the IBGE) and the population’s life expectancy (provided by the Fundação Seade/SP).



The percentages of SUS users were calculated for each sub-municipality<sup>3</sup> and thereafter the consumption rates for primary appointments<sup>4</sup> and for hospital admissions in the 31 sub-municipalities.

It is important to clarify that the SUS-user is a citizen without a private health insurance, who uses the public health system. The share of such users is important for the analysis of differences in health consumption, over time and space. According to Neri and Soares (2002), in Brazil, among the poorest 10percent of the population, around 2.8 percent have some kind of private health plan, a figure that reaches 74 percent for the wealthiest 10percent. In São Paulo's case 54 percent of total population use exclusively SUS services. The differences in distribution measured here are between poor people living in different areas of the city, rather than between poor and non-poor as such.

Table 2 presents the distribution of SUS users in the Municipality of São Paulo (54percent of the total population) according to the MHDI and the Health Index<sup>5</sup>. The table shows that sub-municipalities with the worst socio-economic and health indicators have the highest concentration of SUS users<sup>6</sup>.

**Table 2. Population of SUS users/MHDI and Health Index – Municipality of São Paulo, 2005.**

Sub-municipalities' MHDI		Population 2005		1A/B* 100[1] <sup>1</sup>	2Health Index [2]	Infant Mortality Coefficient (for every 1,000 live births)
Quartiles	MHDI	2Total (A)	SUS users (B)	%		
1st. quartile	0.67	3,182,238	2,032,940	64	0.42	14.10
2nd. quartile	0.7	3,022,108	1,742,488	58	0.47	13.38
3rd. quartile	0.75	2,789,864	1,472,689	53	0.57	12.43
4th. quartile	0.85	1,905,348	703,656	37	0.76	9.63
São Paulo	0.74	10,899,560	5,862,873	54		12.90

Source: Municipal Department of Health/CEInfo. Chart: CEM/Cebrap. Available at <http://portal.prefeitura.sp.gov.br/secretarias/saude/tabnet>

<sup>3</sup> In conducting our analysis, we have used an estimate of the population of the city of São Paulo per sub-municipality, based on the growth rate for 1991–2000, according to data provided by the IBGE Demographic Census of 2000. Next, we applied to this population an estimated proxy of the population using the SUS in each sub-municipality. The SUS user population estimate was calculated by the CEInfo by statistic inference based on data extracted from the *Pesquisa de Condições de Vida* (Research on Living Conditions) of 1998 (Fundação Seade/SP) and from the 2000 Demographic Census (IBGE).

<sup>4</sup> Since there is no information to allow identification of the beneficiary of a given appointment, we have assumed a plausible premise that this kind of service tends to be produced in a decentralized fashion and consumed locally.

<sup>5</sup> The Health Index is generated by the Municipal Department of Health of São Paulo, varying from 0 to 1, such that lower figures are associated with the worst epidemiological cases and vice-versa. The indicators used to calculate the Index are as follows: the infant-mortality coefficient, premature mortality due to chronic non-infectious diseases, the coefficient for tuberculosis and the coefficient for death from external causes. Pearson's correlation between the Health Index and the sub-municipalities HDI: 0.842\*\* (significant with 99 percent confidence).

<sup>6</sup> The proportion of SUS users is negatively correlated with the sub-municipalities HDI. Pearson's correlation: 0.967\*\*.

The areas with the best socio-economic and epidemiological indicators have on the other hand been providing more SUS-funded primary appointments. The number of primary appointments/year per SUS user in São Paulo rose between 2001 and 2005 from 1.32 to 1.76, a value close to that recommended by the Ministry of Health, of two appointments per person per year. However, the average for more deprived sub-municipalities was 1.50, which significantly contrasts with 2.12 appointments per year in the wealthier sub-municipalities.

In the case of hospital admissions there was also a sharp rise in the number of SUS inpatients, which hit 847 admissions for every 10,000 SUS users in 2005, up from 714 in 2001. In this case, once again we verify that consumption was concentrated in centrally-located sub-municipalities, which presented the highest admission ratio, with 1,073 admissions for every 10,000 SUS users in 2005 which, again, significantly contrasts with the admission rate of 648 admissions in the poorest sub-municipalities<sup>7</sup>.

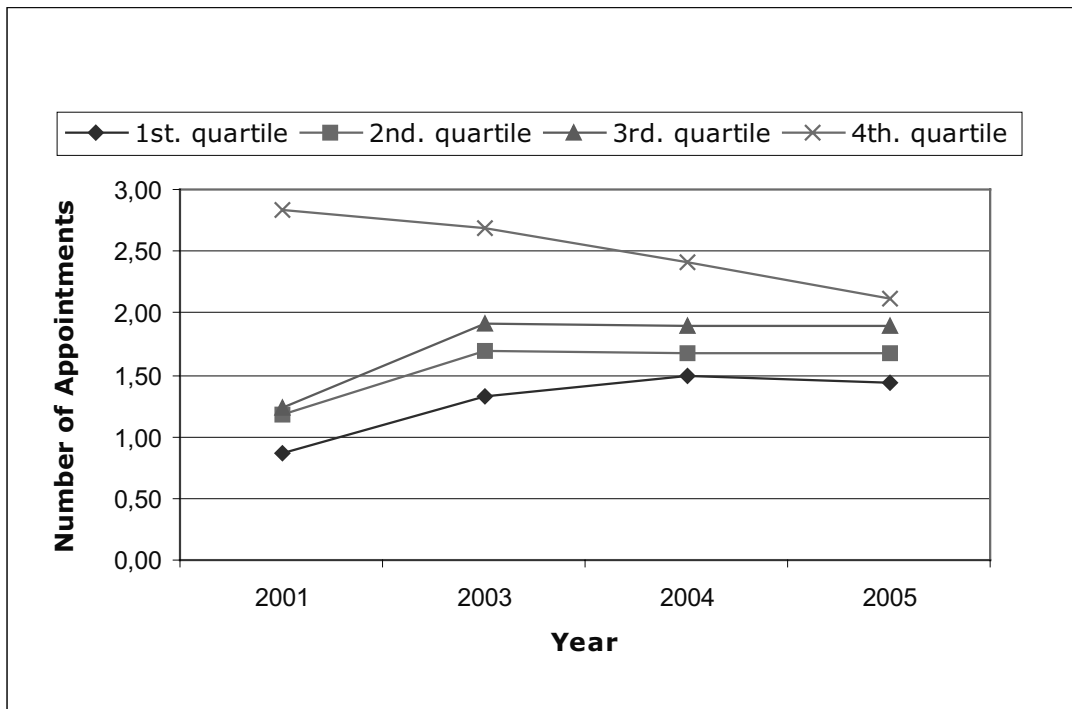
The finding, however, that the consumption of health services is concentrated in territories with higher Municipal Human Development and Health indices, should not necessarily be construed as the capturing of the SUS by the wealthy who, in fact, rely primarily on private services. Rather, what the data suggest is that access to health services differs depending on whether the poor live in Jardim Ângela (the area with São Paulo's lowest MHDI) or in Pinheiros (highest MHDI). In this case, the physical network of public services, which is concentrated in older and more central regions, is in itself one of the main factors accounting for the gaping intra-municipal differences in the distribution of health services. In other words, an important consumption determinant is linked to components intrinsic to the offer of services, which remain concentrated in the more privileged areas.

To better understand the distributive tendency, it is more important to consider the variation of the consumption of these services over the period (2001–2005), rather than the levels of consumption per se. Below, Chart 1 shows that in the case of primary appointments there was a significant increase in the offer of these services in the sub-municipalities in the first and second quartiles (the poorest) of MHDI. It should also be noted that the number of appointments offered across the four quartiles is becoming closer<sup>8</sup>.

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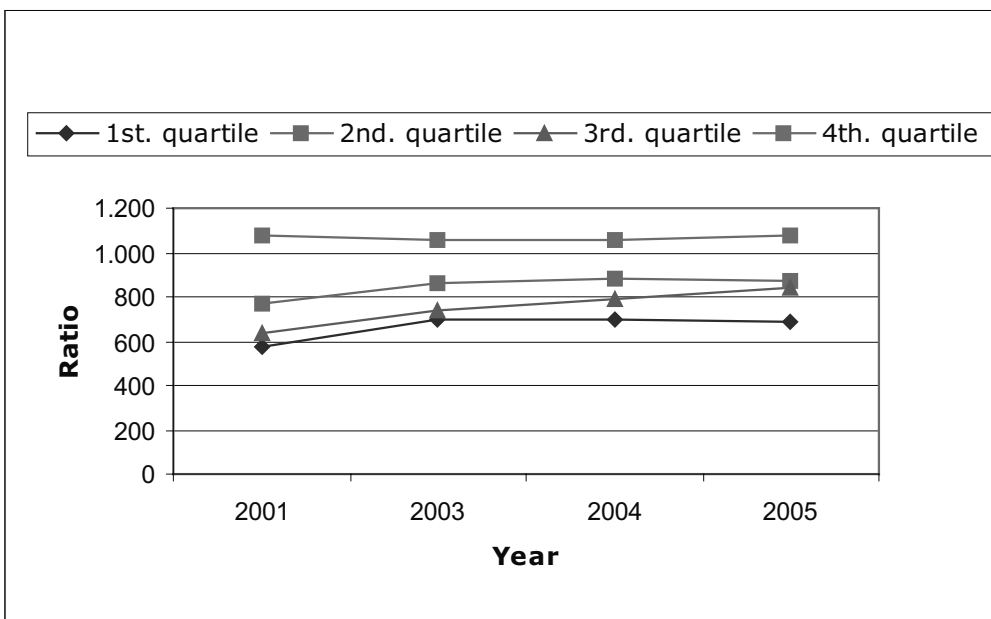
<sup>7</sup> In the case of hospital admissions it is possible to identify the address of those admitted, thereby confirming that the procedures were consumed by the residents of a particular sub-municipality. Pearson's correlation coefficient between admission rate and sub-municipalities' MHDI: 0,616\*\* (significant with 99 percent confidence). A detailed description of the distribution of hospital admissions according to the quartiles is presented in Chart 2 in the Appendix.

<sup>8</sup> The standard deviation in the level of primary appointments across the sub-municipalities, classified by quartile, decreased from 0.88 in 2001 to 0.29 in 2005, which points to an increasing homogenization in the distribution.

**Chart 1. Number of Primary Appointments per Year *per capita*.**

Source: DataSUS – Ministry of Health, Brazil, 2001, 2003, 2004, 2005. Graph: CEM/Cebrap. Available at <http://w3.datasus.gov.br>.

Chart 2 shows, in the same way, that the number of hospital admissions grew above all in the first and third quartiles and the disparity between the levels of admission in the sub-municipalities in the fourth quartile (the best located) and those of the first (the worst positioned) decreased.

**Chart 2. Ratio of Consumption of HA per Year per 10 thousand SUS users.**

Source: DataSUS – Ministry of Health, 2001, 2003, 2004, 2005. Graph: CEM/Cebrap. Available at <http://w3.datasus.gov.br>.

As already mentioned, this data illustrates that, whilst there was a significant expansion in the offer of health services between 2001 and 2005, the distributive profile remained inequitable: the highest levels of use are to be found in the richest areas with the best epidemiological indicators in the municipality of São Paulo. The good news to be highlighted is that there is some evidence, feeble though it may be, that this pattern might change. A higher increase in the consumption in the poorest sub-municipalities and a narrowing of the consumption gap across sub-municipalities with the highest and lowest MHDIs may result in the reversal of the current distributive trend. If this trend reversion continues, we might witness, in the medium term, the emergence of a more equitable distribution pattern of public health services between locations. Thus, it might be assumed that a more equitable distribution of financial resources and of the sub-municipalities' services will eventually lead to a reduction in the geographic inequalities hindering access to the public health system.

In the next section, the results described above will be discussed with respect to the health policies implemented in the 1990s and the first years of the new millennium with the aim of identifying factors that contributed to improving the access of the poorest to health services.

### *Mechanisms put in place by the SUS*

#### **Decentralizing resources from the federal government to the municipalities**

The SUS is financed by minimum percentages of the federal, state and municipal revenues that must be invested in health activities and services<sup>9</sup>. Since 1998 federal fiscal transfers for basic care have been automatic and calculated in per capita terms<sup>10</sup>. This system of automatic transfer substituted the system that had operated up until that time, which awarded the states according to the predicted production of medical-assistance. Apart from creating incentives for the maximum use of medical procedures, this mechanism also entrenched the existing inequalities, as a result of the fact that it rewarded municipalities and states that were already well equipped and had a higher level of production. The automatic transfers, for their part, afforded a greater degree of autonomy to the municipalities and promoted the decentralization of health resources, affecting a number of municipalities that had not previously received federal funding. This new mechanism promoted a significant inter-regional transfer of resources from the richest to the poorest regions in the country. This is so because the health system is financed, above all, by budgetary resources, whose basis for collection is directly proportional to the wealth of each region. According to the Ministry of Health:

From the middle of the 1990s, the Ministry of Health has been strengthening the system of automatic transfers, (...) [which] prioritizes attention

<sup>9</sup> Such percentages were specified in the Constitutional Amendment and they should gradually increase year by year to reach the figure of 12 percent for the States and 15 percent for the Municipalities.

<sup>10</sup> Per capita public spending on health has fluctuated around USD100. According to Vianna (2003) in 1996 spending reached USD151.

on health, investing the mayor with the role of manager of the Universal Health System (SUS) and establishes plans of action for health in accordance with the local reality (Ministry of Health, 2003:13).

This system enabled the implementation of various programmes by the federal, state and municipal governments, such as: the Minimum Primary Care Transfer, the Family Health Programme and the Community Health Worker Programme. These programmes sought to underscore the health policy's redistributive character and to promote greater balance between the offer of basic and complex services. As a result, the number of teams responsible for the Family Health Programme and Community Health Worker Programme soared from 328 in 1994 to 3,500 in 1999; furthermore, they increased their coverage from 1.1 million to 12.1 million people (Arretche and Marques, 2002).

As noted in the previous section, the results of these efforts can be clearly seen in the municipality of São Paulo, with an increase in the number of primary appointments. In the case of the Family Health Programme 72 percent of the appointments offered were concentrated in the poorest sub-municipalities (1<sup>st</sup> and 2<sup>nd</sup> quartiles). There was also a reduction in the differences between access to primary appointments, which can be seen in the relatively higher growth of consumption in the regions with the worst MHDIs.

With respect to the hospital system, it should be noted that greater autonomy was given to the municipalities that participated in the modality of "full management". Apart from having greater authority over the management and administration of municipal public hospitals, they also gained the prerogative to hire, audit and pay the providers of private hospital services. The municipality of São Paulo began to carry out this modality of management from 2002 and the increased autonomy may have contributed to a more equitable distribution of hospital admissions.

These mechanisms are the result of a long process of discussion and negotiation about how to make progress with respect to the decentralization of health policy. This process relied upon an important strategic induction by the federal government through the formulation and implementation of its own regulatory mechanisms, and also, as various studies have pointed out, the strengthening of the administrative and institutional capacities of the federal government itself (Arretche, 1996, 2004; Levcovtiz, et al., 2001). As highlighted by Arretche:

The success of the decentralizing reforms of the State are based on a selective expansion of the functions of central government, and more specifically, on the strengthening of its administrative and institutional capacities with respect to the carrying out and regulation of sectoral policies implemented by the sub-national governments and the very process of decentralization itself (Arretche, 1996: 62).

The author also emphasizes that such a role represented by the federal government is even more important in countries marked by relevant inter-regional disparities, as is the case in Brazil.

### **Intra-municipal decentralization and social participation**

To properly understand the changes in the geographical distribution of services in São Paulo, it is also necessary to take into account the process of decentralization of health policy that took place under the auspices of the municipality over the period 2000–2005. In the year 2000, Eduardo Jorge, who was then Secretary of Health, started the process of decentralizing the health services through the creation of 41 health districts. As mentioned above, the city council also began to decentralize power with the creation of 31 sub-municipalities that incorporated the health districts. The aim of decentralization was to promote more autonomous local politics, creating new decision-making processes, facilitating the practices of social control and the democratization of management.

The conception of decentralization instigated by the Secretary of Health was similar to that expressed by Arretche, that is, with a strong role for the Municipal Administration in organizing the process; in defining the norms for the transferal of resources and formulating the municipal health policy, as well as in coordinating the activities of local health councils.

In this process, priority was given to the delivery of basic services, which contributed decisively towards a more balanced distribution of services between the sub-municipalities. Another element of the decentralization process that should be highlighted is the emphasis given to the creation of district health councils and unit health councils, located in health facilities. The creation of these councils followed the agenda of the Brazilian health reform programme, which saw decentralization as part of a wider strategy of democratization and the incorporation of new social actors in the management of the health system (Levcovtiz, et al., 2001). In this way, in each sub-municipality, a local health council as well as a large number of unit health councils were created. They were set up in two years, involving the mobilisation of over 2,500 people to participate in at least one-monthly meetings.

The local health council of the sub-municipality consists of 24 effective and 24 substitute councilors, half of whom represent civil society and the other half, the government, service providers, and health workers. These councils made it possible to make more democratic the discussions over what to fund with public money and for whom, as well as the quality and adequacy of the services being provided (Coelho, et al., 2005). The councilors that represent civil society reported themselves as representatives of: popular health movements; health units; religious associations; neighbourhood associations; unions; civil rights groups; participatory fora; movements for the homeless; landless peasants movements; community or philanthropic groups; disabled persons associations, or as non-affiliated representatives (Coelho, 2006).

From this process emerged a network of councils distributed throughout the municipality, covering both central and peripheral areas, as well as rich and poor ones. It is difficult to identify the impact of these processes on the distribution of services, but the interviews carried out with the councilors presented a group of participants who had a variety of socio-economic profiles as well as political orientations and that were strongly committed to the SUS (Coelho, 2004a, 2004b). This experience may have led to the democratization of the debate and to broader evaluation of health policies and facilities contributing to an improvement in the performance of the system.

To sum up, from the point of view of this analysis, it is important to highlight the relevance of Federal automatic transfers for the financing of the basic health programmes; of the greater autonomy given to the municipalities that participated in the modality of “full management”; the intra-municipal decentralization and of social participation. All of these factors combined may have led to a process, which, as was seen in the previous section, has contributed towards promoting greater equality in the public health system. As part of the research programme it will be necessary in future work to indicate in a more systematic way what the effective contribution was of each of these processes – the form of financing, decentralization and social participation – upon the identified improvements in distribution.

### *Backing the SUS*

The institution of the SUS represented an important act in two ways. Firstly it broke away from the model upon which the Brazilian health system had previously been structured – centralized, focused on curative medicine and with access restricted for the majority of services to those in the formal jobs market. Secondly, it promoted a health policy supporting universal coverage, in the international and national political and economic context of the 1980s and 1990s, which was characterized by increasing fiscal and demographic pressures and the defense of a focus on the poorest beneficiaries as well as on the restriction of services to basic needs.

In this paper the capacity of this system to promote equality and favour access of the poorest to health services was discussed. The effort was not to evaluate the system’s capacity to adequately deal with the needs of the SUS users, but rather to verify whether there is a progressive tendency in inverting the distribution, which until today favours poor residents of the richest areas before poor residents of the deprived areas.

Examining the combination of indicators presented in this paper, it seems reasonable to suggest that it is possible to work towards equality, prioritizing the necessities of the neediest members of the population without losing sight of a universalist social policy. In this way it is possible to avoid drawing a line between the “poorest” – and, therefore, the recipients of the benefits – from the simply “poor”. In the case of Brazil, apart from being highly arbitrary, it would deny assistance to a huge section of the population whose financial situation is only a little better than that of the “very poor”, but who would nevertheless have to spend a substantial part of their limited income on health costs.

It is also worth noting that whilst the health policy is universal, in practice a major proportion of those who can pay for private health care do so. This becomes clear when analyzing the percentage of SUS users, calculated at around 65 percent for Brazil (IPEA, 1998) and 53 percent for the city of São Paulo (Coelho and Silva, 2005). Another point that should be highlighted is that a universal health system is more likely, at least in principle, to be supported by the population as a whole – be that so because it avoids the discrimination and stigmatization of those who are the target of the selective processes, which leads to a weak support of the health policy by the general public; or because it maintains the promise of equal and dignified treatment for all citizens.

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## Appendix

**Table 1. SUS Primary Appointments – Municipality of São Paulo 2001–2005.**

Sub-municipalities' MHD		Number of appointments		Number of appointments		Relative Increase
		2001		2005		2001–2005
Quartiles	MHD	Total	Per SUS user	Total	Per SUS user	%
1st. quartile	0.67	1,557,294	0.87	2,964,532	1.44	66%
2nd. quartile	0.70	1,966,803	1.19	2,984,070	1.67	41%
3rd. quartile	0.75	1,803,175	1.23	2,786,113	1.89	54%
4th. quartile	0.85	2,140,380	2.83	1,591,387	2.12	-25%
São Paulo	0.74	7,467,652	1.32	10,326,102	1.76	34%

Source: DataSUS – Ministry of Health, Brazil, 2001, 2003, 2004, 2005. Chart: CEM/Cebrap. Available at <http://w3.datasus.gov.br>.

<sup>1</sup> Percentage of the population using the SUS in the sub-municipalities.

<sup>2</sup> A detailed description of the distribution of primary appointments according to the quartiles is presented in Table 1 in the Appendix.

Table 2. SUS Hospital Admissions – Municipality of São Paulo 2001–2005.

Sub-municipalities' MHDl		Ratio of HA-2001		Ratio of HA-2005		Relative Increase
						2001–2005
Quartiles	MHDl	Total	Ratio to 10 thou SUS users	Total	Ratio to 10 thou SUS users	%
1st. quartile	0.67	103,088	574	141,345	686	19%
2nd. quartile	0.70	126,817	765	155,896	870	14%
3rd. quartile	0.75	93,628	639	122,239	841	32%
4th. quartile	0.85	81,73	1.080	77,22	1.073	-1%
São Paulo	0.74	405,263	714	496,700	847	19%

Source: DataSUS – Ministry of Health, 2001, 2003, 2004, 2005. Chart: CEM/Cebrap. Available at <http://w3.datasus.gov.br>.

## 12. Helping Developing Democracies to Get Better at Delivering Services to the Poor: Some Early Lessons from the Public Management and Citizenship Program, Brazil

*Peter Spink*

### *Introduction*

Over forty years ago, community activist Saul Alinsky when criticizing the USA's internal "War on Poverty" program commented that: "poverty means not only lacking money but also lacking power. An economically stable Negro in Mississippi is poor. When one lives in a society where poverty and power bars you from equal protection, equal equity in the courts and equal participation in the economic and social life of your society, then you are poor" (Alinsky, 1965).<sup>Key to</sup> Alinsky's argument is the need to go beyond the restricted vision of poverty seen as a reference to those without the necessary monetary resources to support themselves and adopt a more expanded approach to poverty, that considers not only the economic means of sustaining a viable livelihood, but the many different social aspects of this livelihood, including gender and ethnicity, freedom of organization and the presence and the access to those services that are judged as basic to everyday life. Concern is with the many different, subtle and not so subtle ways in which poverty is produced and reproduced. Increasingly, this more expanded view (see for example Sen, 1992, 1999; Friedmann, 1992), is being expressed through the language of rights and, within this language, the social notion of dignity is emerging as a pivotal expression of voice and collective respect.

Thus, whilst it is important to point out, as many recent international development reports have done, that basic services are failing poor people worldwide either through their absence or their skewed provision, it would be more accurate to also go on to say that in addition, because of their absence or skewness, these services are actively producing poverty. A municipal health center that opens between 9.00 am and 5.00 pm and has no outreach mechanism for the surrounding rural area, or a hospital that ignores the presence of traditional midwives in local communities is not just failing to respond to conditions, but also actively producing them. One of the first rules that a working women's community collective laid down for their independent day care center in urban Santiago, Chile, was that it would never close until the last mother had arrived home from work; thus countering the common practice in the public crèches of a fixed closing time that would leave working mothers frantically running through the streets in order to be "on time". In a small municipality in interior of São Paulo State, the local government created a night care center specifically to support single mothers who work in the chicken processing industry where part of the work – preparing the birds for transportation from farm to factory – is done at night, when the birds are calmer. Before, the mothers had to depend

individually on the goodwill of neighbors, now they have a collective solution which provides a better guarantee of overall safety.

These and other experiences have come to light through the work of the Public Management and Citizenship Program in São Paulo, Brazil, which along with its colleague programs in different countries has been focusing attention on innovations in sub national government that not only improve service provision but do so in ways that produce a direct impact on the practical and everyday construction of citizenship. This paper discusses some of the conclusions drawn from following up a number of initiatives specifically linked to poverty reduction and goes on to look at their implications for current conventional development thinking, both in terms of program and project development and the role of intermediary organizations. It ends by arguing for a different approach to the public administration of service delivery, one that begins with a citizen centered perspective on service design.

Whilst the challenge of service delivery and poverty can be expressed as being of global concern, it is rooted in very different circumstances. It emerges in different ways in those economically developed democracies currently facing a resurgence of poverty as a result of a number of crises in the “employed work economy” (see for example Castel, 1995; Bauman, 1998; Wilson, 1989), than in developing economies in which the “employed work economy” was never fully established, or in which civil, political and social rights may be best described as paper rather than practice.

Traditionally the academic tendency has been to argue for policy guidelines and actions that can be applied generally in most, if not all, circumstances. However to bring about social change in a country where civil rights are respected and there is free and open access to the courts, is a very different process to that in a country where rural trades unionists face constant death threats. To discuss the formalization of the economy in a country where it takes 24 hours to open or close a micro-business venture is very different from the situation in which it may take nearly a year to open a micro-business which is then virtually impossible to close, or in which local officials instead of being supportive to community enterprises, look for ways of forcing them to pay “commissions”. Given such variety of circumstances and the heterogeneous and fragmented characteristics of poverty processes that the more expanded view has made visible, the pragmatics of social change would perhaps suggest that it is time to alter the approach and seek instead – at least initially - a mid-range and situated perspective that seeks to contribute to specific solutions within specific contexts. It may not be academically elegant to do so, but it may be more in keeping with current discussions about knowledge (Rorty, 1999; Shiva, 1993).

Thus, the horizons of this paper are those of Latin America and specifically Brazil, cited by a leading international development bank as the most unequal country on one of the most unequal of sub-continent. Brazil is a country in which the 10 per cent most wealthy have 50 per cent of all the income and the 10 per cent most poor, 1 per cent of the income; where only 15 percent of families have sufficient income to be considered part of the consumer market for durable goods. It is a country where the white population is considerably better off than the black population and where black women end up at the back of the employment line. It is a country in which functional illiteracy can vary from 15

to 99 per cent and infant mortality from 15 per thousand to 250 per thousand; where 80 per cent of the population are considered urban, yet the meaning of urban may vary from some four thousand very small municipalities through to twenty-five large metropolitan regions in which 25 percent of the country's population occupy only 2 per cent of the territory. Current estimates place some 60 per cent of the economically active population in informal work relations and twenty-five per cent of young people between 17 and 25 in the major metropolitan regions are both out of work and without access to education.

### *The Public Management and Citizenship Program*

The Public Management and Citizenship Program (*Programa Gestão Pública e Cidadania*) was set up in 1996 as a joint initiative of the *Fundação Getúlio Vargas* and the Ford Foundation. It is one of ten similar initiatives also supported by the Ford Foundation in the USA, China, Philippines, Africa and South America. Its aim is to identify, analyze and disseminate innovative practices amongst sub national Brazilian governments (states, municipalities and original peoples' tribal governments) that have a positive impact on strengthening citizenship and on the quality of life. It focuses on experiences – policies, programs, projects or activities - that innovate in service provision, can be reproduced in other localities, utilize resources and opportunities in a responsible manner and extend the dialogue between civil society and public agents.

The principle method used for identifying innovations is an annual open access award cycle. The program has already identified and registered some 8,000 innovative experiences in its ten years of work, localized in 890 municipalities of different population sizes and varied socio-economic levels as well as in all the Brazilian states, a number of the indigenous peoples and amongst the executive, legislative and judiciary branches of government. The experiences registered cover many different areas of government action and provide important evidence of what is taking place in at least the more advanced areas of sub national government.<sup>1</sup>

In 1999, the Program began a set of studies to look amongst these various experiences and others for practical examples of effective work on poverty reduction at the local level. The starting question was relatively simple: is there space for effective action to reduce poverty at the local level? No one doubted the key role that could and would have to be played in income redistribution by national government, nor the negative effect that the same government could have through practicing high rates of interest and restricting development investments. The question was much more: what else can be done, is there effective scope for local action? The studies were complemented by a series of workshops in which the findings were debated by activists, members of the communities involved, local authority technical staff, academics and non-governmental development specialists (Camarotti and Spink, 2000). Amongst the many experiences examined were: job creation programs; low cost housing renovation projects; programs to help rural workers associations access markets;

<sup>1</sup> The program's data base, publications and many videos can be accessed freely through its website (<http://inovando.fgvsp.br>).

cultural movement in dense urban areas aimed at increasing the social inclusion of young people and joint work by church, local government and NGOs with vulnerable groups such as street children, child prostitutes and victims of family violence.

To begin with, the discussions and debates showed how far apart are the many different groups that supposedly make up Brazil's social action arena. Dialogue is restricted, as could be expected in a country with high degrees of implicit – and explicit – socio-economic stratification. Activists are used to talking to activists and NGOs with NGOs. Academics were criticized for being too academic, activists were criticized for being too political, local government technical staff wanted to know how to solve problems and community leaders complained of government inactivity. As the discussions went on in, we learned that part of the problem lay in this very lack of connection. Important practices and bits of the jigsaw puzzle were being lost through the lack of dialogue. Gradually discussion began to take place and people began to listen to each other and, as a result, lessons began to emerge.

### *Early lessons*

The first of these lessons was that nothing is better than people's own organizations for voicing their concerns. This was an early observation of Alinsky in his Chicago project during the 1940s and 1950s and continues valid in today's local Brazil. Respecting peoples' own organizations – no matter how odd they may appear to be, how disparate may be the interests and identities they support, how informal or how loosely organized – is the key to recognizing their voices and to hearing what has to be said. This is not participation, nor empowerment, but presence and respect. It is being prepared to listen and is about working together. Most people are aware of the cultural explosion that takes place in Brazil over the weekend before the beginning of lent (the catholic period of partial fasting and preparation for Easter). Yet when they see the carnival processions and its many different rhythms that change from one part of the country to the other, they are less aware of the myriads of community associations and clubs that are behind the floats, the bands and the costumes; be these highly orchestrated as in the big set piece competitions of Rio de Janeiro, São Paulo and elsewhere, or the loosely coupled linkages between ideas and traditions that in Recife will put 1,500,000 people dancing the local *frevo* behind 29 bands, forming the biggest carnival block in the world : the *galo de madrugada* (the sunrise cockerel).

The second lesson was the importance of recognizing that communities in poverty circumstances are not passive. On the contrary people are actively engaged in trying to survive and in doing so need to rely on each other because there is frequently no other option. In doing so, many such communities have developed notions of what is *public* that are broader than those used by local governments who are not necessarily seen as having the public interest at heart. At the best, these different "publics" will overlap to some extent, at worst they may disconnect. In both cases, they are evidence of competence and capacity. Some riverside communities in the Amazon Basin have purchased their own

boats in order to guarantee effective low cost “public” transport and it is not uncommon for one person to make the long trip to the urban center of the municipality taking with them the payment cards for the social benefits of all community members plus a shopping list of needed goods. Obviously it is necessary to ask why the municipal government cannot be as equally creative and build different forms of service provision, but the key point from the example is that in the absence of one sphere of public action, the public will create another. Many communities in shanty towns support their own radio stations in which everybody takes their turn to play music and have their say, guaranteeing voice on community issues. Sometimes these are nothing more than loudspeakers mounted on telegraph poles yet they are often under threat by the broadcasting authorities.

Thirdly, a constant theme in the discussions was a very keen sense of the place, the lived in territorial, material and social horizon of the day to day, as the starting point for activities. The place may have hierarchy and difference, but it is where action is possible. People would say in discussion, the place is where we are, it looks like us, it is where things can start. When these three lessons come together, the acceptance of people’s own organizations, the recognition of competence and of the importance of place, the results can be remarkable and happen in relatively short periods of time. The widely known participatory budget in Porto Alegre in the South of Brazil is one such case in point; key to its success was the municipal government’s acceptance of the competence of closely packed networks of neighborhood associations and its disposition to discuss individual proposals for specific urban investments that had to do with very local community priorities, on a block to block basis, ignoring the integrated priorities of planners.

Fourthly, none of the successful experiences that we have followed have started out life as development projects. That is with objectives, goals, indicators and precise time frames. None of them started life as policies. At the most they have been local public challenges that have resulted in local public practices, that have raised questions and gathered other resources and made alliances along the way. Participatory budgeting is a case in point. They may have become policies later on, but that was not their initial intention. They may have started life in the community and been adopted by local government, or have started out through the actions of those public servants who are in direct contact with the day to day of communities in poverty settings. Usually it is a mix of both and within the Latin American context, this blending together in the local setting of public policy and social action, of public officials, activists and civic leaders working together to solve problem is being increasingly referred to as the space of “public action”.

For example, ten years ago we listened to the mayor of Tupandi, a poor rural municipality (pop. 3,000) in the south of the country tell the story of the municipal agricultural development fund. The municipality was in decline, the local administration had very little income given the widespread informality of the rural economy and the youngsters were no longer showing interest in farming, preferring instead to move to the larger cities in search of unskilled factory work. Part of the reason was diagnosed as the difficulty that the small farmers had in marketing their produce (chicken, pigs, milk and fruit) on the

more formal economy because of lack of an effective infrastructure to guarantee quality. Meeting together in the village church, members of the community and the local government decided to introduce a small non-repayable grant for the farmers of approximately 1,000 USD to be used in constructing sheds and barns. The conditions of the grant were that in exchange, the farmers would introduce up-to-date technology, respect the environment and only sell their produce with a formal receipt that would include the Brazilian sales tax, a proportion of which is automatically returned to the municipality, thus compensating the initial subsidy. (How the municipal government managed to create this fund is another story in its own right; for the law that they wrote was in effect giving away public money to people in exchange for them agreeing to be law abiding. In fact, the key was not the law, but the moral agreement made in public discussion; an example of public action.)

When we first made contact with the experience it was already in its third year and the gain in production and in the related tax base was already offsetting the original investment. Youngsters were beginning to get enthusiastic about the commercial possibilities and were returning to the area. We recently returned to see what had happened since that first visit and the results are astounding. Nearly all the farmers have benefited from the fund and, as a result of the moral agreement, the per capita internal product of the municipality has gone from USD 2,514 in 1993 to USD 16,007 in 2004; an increase of over 600 per cent. The local government's own income has risen ten fold as a result of the increase in the tax base and wise investment has paved roads, guaranteed electricity to all rural properties, piped water to 99 per cent and is providing a twenty-four hour public health and hospital service. Housing has been improved and the municipality has a thriving network of community associations, sports and cultural clubs. As well as being encouraged to stay in the area as a result of the economic development, the municipality also provides its youngsters with tuition grants and subsidizes 50 per cent of the transport costs for them to go to university; thus enabling them to remain at home while they are studying. In 1993 there were no banks in the town and there are now four; a very good indicator of the growth in commercial and small scale food processing activities.

The stories themselves are the fifth point. Like all good stories they usually begin with the equivalent of "once upon a time" and they will certainly have been polished along the way, but they are told collectively with pride by men and women, articulating past and present in a mutual perspective. It doesn't matter whether the story is of a small group of craftsmen that got together to create a cooperative; or the family sisal farmers in Brazil's semi-arid region telling of the struggle to build up an association to commercialize raw material (which twenty-five years later is responsible for a factory, a school, savings bank, supermarket, radio station and many cultural activities); whether it is the leader of the Catholic Church's pastoral program for children which currently articulates voluntary workers in the care of a million and a half infants in acute poverty settings; or a municipal health secretary talking about how they learned to build bridges between the medical staff and the providers of traditional medicine. The story will be listened too by those present because it is a sincere story and storytellers are respected. It is, incidentally, how we have learned for



generations; it is how communities survive. But having a story to tell, especially in countries of high inequality, is much more than that; it also serves to counterbalance the technical and political power of the specialist, the academic, the NGO consultant and the politician. It provides a language of action and identity that is open to all and conveys collective competence; telling the story is also announcing: “we did that, we exist and that includes me”.

Many of the poverty reduction experiences that we have followed have reached sufficient visibility at some time to attract the attentions of development bodies or aid agencies, be these state, federal or international. However, those involved have often commented on how these organizations and their technical staffs have had great difficulty in understanding the seemingly haphazard growth of activities and the open ended step by step processes involved. They cannot understand lessons four and five, they distrust lessons one to three and, as a result, get impatient with the stories and want to hear about objectives, plans, time charts, resource allocation and results. Given that they have the funds, they will get what they seek, but as stories become transformed into logical framework tables, much of the possibility for dialogue is lost<sup>2</sup> along with the lesson that it is precisely this incremental, process oriented and learning by doing approach that enables the experiences to build up their strengths and with this their capacity for resistance; to identify challenges and build alliances. In a country in which it is common for people to say that when government changes all projects stop, we have found that at the local level the reverse is more often the case. Not only because the programs are meeting needs and solving issues, but that they have often built up a dense web of connections, rather like local advocacy coalitions (Sabatier and Jenkins-Smith, 1993), that have a joint *public* interest in seeing that the work already done doesn't stop.

The sixth and last lesson is still very much unclear in terms of its conclusions and refers to what are being increasingly called in Latin America the new institutional forms and arrangements that are emerging at the sub-national level, between local governments, citizen groups, advisory councils, NGOs and a host of other local actors. They are currently high on the grant making priorities of the international development community, who see in such arrangements the key to strengthening civil society and guaranteeing better governance.

What seems to be happening is that when such inter-organizational arrangements as advisory councils, user committees, local planning bodies and the many other forms of joint working, alliances and consultation are able to generate relatively horizontal and open relationships at the interface of the myriads of social and political organizations, communities and people active around a specific concern in a specific place (lessons one to five), then they can make significant breakthroughs in supporting the development of more active citizenship and in connecting voices to ears. This is what has happened, for example in Sobral, a medium sized municipality in the north-eastern state of Ceará, where the formal requirements for statutory councils brought in by the constitution was adapted to provide a framework of three overlapping inter-organizational arenas of discussion with a heavy community presence. The names chosen tell the story: the *Born in Sobral* committee focuses on all aspects of reproductive

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<sup>2</sup> For further discussion of this issue, see Olsson & Wohlgemuth, 2003

health and the early years of life; *Growing up and Developing in Sobral* bring together educational, cultural, moral, ethical and artistic aspects of children and adolescents and the third *Sobral Child Citizens*, focuses both the rights of children and adolescents as well as the professional development. The results have had considerable impact.

However when these different arenas fall prey to private interests or even to the good natured and well intentioned interests of those seeking to speak on behalf of those in poverty situations, these new forms of articulation and joint working can become the reverse. Those that are best positioned to take advantage of the information and opportunities provided do so and those that can't, don't. Sometimes it can be so simple as a choice of time and place that makes attendance impossible for women community leaders who have to be indoors by informal curfew times imposed by urban violence or even the lack of safe urban transport. Some peoples organizations, such as the rural landless workers movement (MST) (Branford and Rocha, 2002) have preferred to keep their distance from such spaces, adopting a policy of conscious disconnection and independence, but in the urban environment disconnection is less easy, especially when the distribution of a variety of tied federal and state funds are required to be approved by a number of multi-sector committees.

### *Can we avoid yet another Washington consensus?*

What then are the early conclusions that we can take from these studies and debates. The first is perhaps a negative conclusion, that is, the contrast between the lessons we are learning and much of current conventional development thinking and aid practice.

Within the broader development community, what we might call a new post Washington consensus has emerged as the most recent discursive line of argumentation to assume center stage, taking over from where its predecessor left off and inheriting its mantle of "obviousness". The post Washington consensus supposes that institutions matter, that a strong civil society is the key to strengthening the institutions of democracy, that civil society, in partnership with the State has a key role in guaranteeing effective public service delivery and that increasing social capital is the way to strengthen civil society. Much emphasis is placed on the role of intermediary organizations that can help relations between citizens, their own community and grass roots organizations and the state.

The results of our discussions, case studies and debates do not suggest that this is the solution. On the contrary, they suggest that, at least in a setting of considerable inequality such as Brazil, the solution lies in increasing the respect for those very organizations that people in situations of poverty have created for themselves and in increasing the direct connections of these "peoples organizations" with those state organizations that are charged with providing public services within a democracy. They do not suggest that mediating organizations are the solution, even though they recognize that the process of linkage is a very difficult, contradictory and often conflictive one. NGOs and other activist groups may be able to help, but can never replace – if we are trying to effectively

reduce poverty as a socio-economic process – the presence of those in situations of poverty themselves. Indeed, it is the very absence of such groups from today's civil society, that is a major part of the problem. Latin America's truncated state is mirrored in an equally truncated civil society. If the state, understood here in terms of the institutions of government (legislative, executive and judiciary) is unable to converse directly with the majority of the population, then the question must be asked: whose state is it?

But is it possible to build direct bridges between public sector service providers and citizens that lead to effective dialogue? Here the answer from our studies at sub national level seems to be “yes if you are prepared to try”. Taking a cross section of programs and projects submitted for the Public Management and Citizenship awards and looking for the reasons that those involved have provided for why the activity was innovating (Jacobi and Pinho, 2006), we found that the three most common reasons were: firstly, that the public organizations were showing proactive initiative in getting out of their offices and into their communities and solving problems; secondly that in doing so they were learning to widen the way in which problems were being focused, learning to make practical links between policy areas, for example between adolescent vulnerability (education, health) and child prostitution (policing, tourism, social services); and, thirdly, that they were seeking to actively engage citizens in the co-management and monitoring of actions as, for example, in the way that neighborhood groups follow up the building of local health centers, checking plans and the quality of work. Given that most of the experiences submitted have to do with areas of public action which have an impact on poverty, the answers are optimistic especially when considering that they came from a variety of different municipalities of different sizes throughout the country. In looking for a term to describe this more inclusive approach to connection and public service provision, the expression that a number of us have begun to use is that of a citizen perspective or rights based approach to public service provision (Spink, 2000).

### *The rights approach to public service provision*

The last thirty years have seen an explosion of theory and practical experiments in improving public sector performance. Latin America, especially has been the stage for numerous attempts at administrative or state reform. Much has happened, much has been invested yet the results have been far less successful than many of those involved had expected. Along the way what was previously called public administration reform became civil service reform or state reform, often linked to broad strategies of economic adjustment and public servants were in many cases considered as a problem for training, then as a problem to be removed and, more recently as a problem to be managed. During this period the pendulum of “good government” first swung way out towards the position of “good government means less government and long live the market”, then tracked its way back through “good government means business style government and management” with an emphasis on “governance and accountability”, through to “good government means decentralization and civil society organi-

zations providing services under regulatory agencies". Poverty, needless to say, continued to grow as did inequality and various forms of social and economic apartheid.

In 1998, concerns about the lack of success and the tenuous nature of the links between public administration support as practised and the reduction of poverty, led to discussions between a number of people including staff from the Swedish development agency (Sida), which has had considerable experience with administrative reform. In debate was the contrast between more general approaches to reform and the results of various local experiences to service provision, especially in relationship to poverty and rights. During the 1980s and early 1990s, it was a common taken-for-granted assumption that improvements in public administration such as new procedures, methods, staff training, the development of careers or the re-organisation of departments would, by making services more efficient and effective, inevitably produce an effect on the quality of citizenship and every-day life. Unfortunately there were usually so many things to be sorted out and done in order for improvements to take place, that the final effect of the actions often became a nebulous, distant and diffuse set of consequences that were difficult to specify or judge and were certainly never included in impact evaluations either in the developing or the developed world.

Another common taken-for granted-assumption during this period was that it is better to have more services, even if these are less transparent, more managerial and less accountable. Where government cannot provide, others can be brought in to help and service provision outsourced. Unfortunately here, the result has often been that those better placed to take advantage of increased service provision, or even of its introduction, are those who have done so. Being in the right place at the right time is not necessarily a question of luck, but of information and access to committees, meetings and, increasingly, the internet. Gaps have widened, not merely as a result of macro-economic turbulence and strategies adopted for fiscal stability, but also through the skewed redistribution of opportunity and access to services and resources. Thus it is likely that any strategy that is based on merely expanding services or of providing more of the same inevitably runs the risk of reproducing existing patterns of exclusion.

The debate about alternatives to "improving" and "increasing" was to lead to the suggestion of a change in focus from the perspective of the service itself to the perspective of the direct consequences for the everyday construction of citizenship. The expression "the construction of citizenship" is by no means an easy one, for it asks more questions than it answers; indeed that is part of the reason for its use. In today's world it can be answered in terms of rights, of equality, of dignity; of affirmative action based on equity, of concern with social and economic inclusion and of being a full and equal member of society (Frederickson, 1990). Indeed, citizenship often goes beyond the boundary of a particular state, referring to multiple and trans-national identities (Isin and Wood, 1999). The importance of the question was to suggest that service providers, administrators, those involved in technical support, local government executives and elected representatives, should look at the day to day of service provision in a radically different way. That is, that they should consider the starting point for any public activity or action as being the analysis of its consequences, both positive and negative, for the way citizenship is being actively experienced.

A “rights approach” to the development and improvement of the capacity of public services would require us to learn how to judge services as efficient and effective not because they are more rapid, or cheaper, or produce more action, but because they generate tangible, acceptable and clear consequences for the conditions and practice of citizenship, both for those receiving and those providing services and for the wider community within which these actions take part. Fortunately as we have seen from the experiences of the Public Management and Citizenship Program, such a perspective is indeed viable. To take a final example, in the industrial motor car city of Santo André in São Paulo, the municipal government began in 1997 a major administrative reform effort based on providing accurate information and answers on a number of key everyday municipal actions for its residents. Using internet, data bases, telephone services and terminals, it has built up a response capability that provides residents with various options for dealing with municipal issues. Amongst these, was turning its offices outwards and opening them up for residents in “public services centres” which today are capable of offering some 900 different services. What however is striking about the experience has been the change in the local government staff. Having the resources to provide an honest and helpful reply to the hundreds of small questions that plague the everyday life of ordinary people, many of whom are also in situations of poverty, has led them to a dialogical perspective of citizenship: “I can help somebody honestly and quickly, I can do my job – which is a public job - properly and in doing so both of us become better citizens”.

It is this capacity to invert perspectives and think things through from the outside, which can also be found in the development of rural schools working within the *alternance* pedagogy, bringing together local government and farmer-parents to create exciting learning programs that bring together children from rural areas for two week residential periods followed by two weeks at home in which they carry out studies and help on the family smallholdings and in their communities, passing on new ideas about livestock and market gardening. It appears in programs to integrate solid waste gatherers and recyclers on a territorial basis within a network of urban cooperatives and in many other simple and specific activities that are bringing about a tangible change in the relationship between public sector organizations and those that depend on them. Some of the experiences that we have been following have grown considerably, all began simply and many of them are not necessarily elegant solutions, but through them we are learning the importance of what one of our earlier workshop participants once remarked, “we won’t get anywhere until we realise that equality is not the goal but the starting point”.

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## Appendix:

*Write-up from workshop in Stockholm, 27–28 April 2006*

### Introduction

In his opening remarks, EGDI's Head Secretary Torgny Holmgren summarised the motivation of the workshop: bringing together insights and arguments on the politics of service delivery in democracies for scrutiny and discussion in order to help sharpen the Ministry's own understanding of the issues involved.

The main findings of the World Development Report 2004, *Making Services Work for Poor People*, served as a backdrop for the workshop discussions. **Shantayanan Devarajan** highlighted how the provision of publicly financed basic services, like primary health and education, is systematically skewed in favour of the richer citizens in most developing countries. The quality and quantity of service provision can in addition be unrelated to existing supply. How and to whom basic services are provided is a deeply political matter, much beyond factors like available resources and programme design. The WDR 2004 therefore suggests a framework of *accountability relations*, between policy-makers, providers, and poor people, for analysing and identifying solutions to provision failures.

When either policy-makers/politicians or providers are not held accountable for their actions and decisions, service provision suffers. The most problematic relationship is the one between poor people and politicians. Even countries with a long democratic record and predominantly poor voters fail in providing services to its poorer citizens. Why? Asymmetric information and problems of attribution seem to be important explanations. Clientelism, or the practice of favouring political supporters at the expense of non-supporters, is one manifestation of the problem.

### Politics, Information and Voice

Political accountability, its importance to other factors and the role of information were much debated throughout the workshop, particularly in the **first**

session on politics, information and voice. Devarajan commented on the papers by Phil Keefer, Anirudh Krishna, Stuti Khemani and Anuradha Joshi.

In Keefer's analysis, it is the inability of political competitors to credibly promise improvements in service delivery that explains much of the failures. The incentives for politicians are thereby far too insufficient for an efficient and fair provision. Krishna highlights how service delivery failures cause and reproduce poverty, and focuses in particular on the importance of access to information for economic mobility. Khemani inquires whether information campaigns could overcome problems of attribution, i.e. that many poor people do not hold their politicians responsible for obvious failures in the areas of health and education. Joshi discusses arrangements of direct accountability and argues that collective action is crucial for the ability of poor people to hold service providers and politicians accountable. State reforms should therefore be evaluated in relation to their impact on citizens' ability to act collectively.

Devarajan pointed to some tensions between these papers. Whereas Joshi for example sees a role for informal institutions in service delivery, Keefer argues that relying on kinship organisations can result in targeted transfers to the detriment of the broader public. And whereas Keefer's analysis implies that concentrating on services in fragile states – where there is a lack of a well-functioning administrative machinery – would be a mistake, Krishna tells us that the poor would then undoubtedly remain poor, as service provision is crucial for improving one's life chances.

Several of the issues that were raised during the ensuing open discussion were then pursued throughout the entire workshop. One participant argued for instance in favour of empowering government actors and institutions to perform better, rather than circumventing state structures. There were also divergent views on the potential of politicians to act for the benefit of the poor. How likely or unlikely is it for a politician in a developing country to see a *political interest* in vital areas like primary health and education? Are programmatic political parties of the type that predominate in the West needed, or can this also work in 'clientelistic' and less institutionalised parties? The argument that pro-poor spending generates broad electoral support was, for example, countered by reference to the neglect of quality in service provision.

The role of unions and professional organisations came to the fore here. It was argued that they could play a constructive role in making government more responsive to the public, and the poor in particular. The distinction between responsiveness and accountability was made in this connection. Accountability in government means better compliance to rules, whereas true *responsiveness* to the poor requires more than such compliance.

It was also pointed out that providers' unions are core support groups to many leftist parties. They are certainly part of the political equation in service delivery. A gendered understanding of service delivery failures was called for. Does women's access to information and the ability to act upon it, for instance, differ from that of men's? The benefits of universal versus targeted measures were brought up as well. It was argued that targeting – even if pro-poor in intention – lends itself to abuse and can in addition stigmatise the recipients.

### Reforming Service Delivery

The **second session**, 'reforming service delivery', dealt particularly with lessons and experiences from public sector reforms in service provision. Judith Tendler served as discussant of the papers by Joan Nelson, Marcus Melo and Cláudio Duarte.

In her broad empirical overview, **Nelson** distinguishes between three types of 'pro-poor' reforms, each entailing different political challenges: broadening services and reaching more of the poor, improving providers' performance, and changing governance structures. Making these distinctions, she argues, allows for a better understanding of what specific measures may work best in a given context. **Melo** analyses the implementation of an educational reform in Brazil in the 1990s, Fundef, and focuses on how sub-national political actors, local mayors in particular, worked in favour of the reform. **Duarte** conveys another Brazilian experience, a comprehensive health sector reform and its implementation and outcome in one municipality in the North East region. He argues that the involvement of civil society organisations, among other things, was an important factor behind the successful outcomes.

**Tendler** identified some issues cutting across all three papers: 1. The role of the central government, whether in federal or non-federal systems, also for enabling local participation. 2. The importance of experimentation for successful outcomes, which in turn implies that learning from processes is more constructive than applying pre-set models. Sustainable programmes result from long learning processes, with mistakes made along the way. 3. The importance of consulting the users. 4. The key role of professional associations, whether these are nurses, sanitation workers or teachers, and the reform factions in those groups.

Much of the open discussion revolved around why reforms like those described by Melo and, in particular, Duarte could be initiated and implemented in Brazil, but are yet to be seen in other places. The health reform had been sparked by a broad movement of unions, mayors, politicians and associations of health professionals. How can this be explained? Why has India, for instance, not produced such a movement? There was no obvious answer to this puzzle. As someone noted, these types of cross-class alliances are unlikely in countries with large inequalities, but when they do occur, they are important to work with.

One question, left unanswered, was whether people had been mobilising for services on the basis of *rights*, and if so, was this a fully indigenous demand or had it emerged under the influence of donors? The ability to pay off losers was, in one reading, a common theme in the cases presented. Why is this more difficult in certain countries than in others, for example if service sector workers' unions turn out as likely losers? As for ways to bring about reforms in the service sector, it was noted from another context (Colombia) that *linking* to reforms in other sectors could be a useful tool for changing politicians' incentives.

The criteria for success came up as well. It was questioned whether Fundef, as argued, qualifies as a successful reform as we do not know anything about its outcome in terms of learning and teaching quality. Is a seven per cent increase in pupil enrolment in and of itself enough to be regarded as a success?

### Experiences from Decentralisation

The **third session**, 'experiences from decentralisation', focused on this particular institutional arrangement and its impact on service delivery. Joan Nelson discussed the papers by S.S. Meenakshisundaram, Vera Schattan Coelho and Omar Azfar.

The implementation of health services and water supply through the decentralised structure of two Indian states is described by **Meenakshisundaram**, who also identifies measures to improve the efficiency of rural local governments. **Schattan Coelho** presents indications that the reform of the public health system in Brazil, where decentralisation features along with social participation and inter-sectoral management, has reduced inequalities in health consumption in the city of São Paulo. **Azfar** analyses how well preferences of citizens and government officials at different levels are matched in Uganda and the Philippines. The results suggest that decentralisation may indeed promote better knowledge among officials as to which services citizens value and want.

**Nelson** noted in her intervention that decentralisation can either be sectoral or integrated. The integrated approach, aiming at coordinating the work around different problems, dominated the examples presented in this workshop. There is, however, good reason to discuss the conditions and purposes under which integrated approaches work better than sectoral approaches, and vice versa. Attempts with integrated rural development programmes in the 1970s were, for example, too complex to work well. On preference matching, Nelson noted that equally important is how opinions are formed. It may also be appropriate to provide services beyond perceived needs.

The issue of sectoral vs. integrated or multi-sector approaches was picked up in the open discussion. What, for example, are the long-term democratic effects of the proliferation of single-sector user committees? One participant argued that these are neither representative nor empowered, but tend to undermine the legitimacy of democratically-elected councils as they have more funds, often from donors. It was, however, also argued that the reality of the situation is more mixed. Elected councils can be 'upward-looking', just as user committees can be accountable to ordinary people. The importance of preference-formation was commented upon. Azfar himself informed that there had been a surprisingly low demand for immunization among the respondents. It is not always evident why people make certain demands before others. However, as someone noted, information as to what people want does not automatically lead to better responsiveness. The question is how to strengthen the incentives to use information on preferences in the interests of the poor?

### Linking Citizens with the Government

The debate on such lines continued through the **fourth session**, 'linking citizens with the government'. Anuradha Joshi commented on the papers by Peter Spink, James Manor and George Larbi.

**Spink** presents the experiences from innovative practices among sub-national governments in Brazil. The importance of the people's own organisations is emphasised, and Spink argues in favour of evaluating the efficiency of service

delivery also in terms of its impact on citizenship. **Manor** analyses the space between the local and intermediate levels of the state, which is operated by independent political entrepreneurs, so called 'fixers', thereby filling a void where neither political parties nor civil society organisations manage to reach. **Larbi** has studied formal and informal non-state service providers in Nigeria and their often-uneasy relationship with the state. These providers have a vital function in a context of state withdrawal or failure, but are not always pro-poor in nature.

**Joshi** observed some common themes and questions in this connection.

1. An emphasis on what is working on the ground, rather than on pre-set models. But is it possible to scale-up good practices without the use of models?
2. A focus on state vs. non-state actors. What factors strengthen or constrain them, respectively? Alternative providers are not needed in states with high capacity. Is there then reason to support non-state providers rather than supporting the state itself?
3. A broad view of state capacity, which includes the capacity to negotiate between competing claims and regulations.

Views on the state and its capacity to provide basic services, especially to the poor, are linked to views and observations of politicians and what drives them. Politicians and their incentives therefore naturally re-emerged in the discussion. It was, for example, stated that the objective utility of a government programme is never enough to make it work, its *political* utility must come across to those in power. Views clearly differed on what to realistically expect from elected politicians but, as someone noted, we do not know why political mobilisation and vote canvassing differ so much between democracies.

One participant remarked in this connection that NGOs – in contrast to politicians – tend to be characterised in purely positive terms in the debate. With reference to Guatemala, he argued that the increased reliance on NGOs for e.g. basic service delivery has led to the fragmentation of ideas and programmes. Civil society therefore needs to have better connections to political processes. State capacity, in turn, needs to be strengthened. Someone noted that the role of national parliaments was absent in the discussion. 'They lack power' was the response in short. The fact that most parliaments, for whatever reason, have little leverage makes them a lesser concern for researchers in politics.

Many agreed on the importance to build upon what works on the ground. To understand why a particular programme or policy is successful, one must go closely into the specifics: what was it about this programme and the circumstances around it? In response to Joshi's question, Spink argued that local innovations of the kind he has studied are amenable for scaling up. The trick is to *match* government agendas and priorities with local efforts and organisations, which technocrats may be unfamiliar with, or even dislike. This is something different than making local organisations *implement* government policy. A case was also made for the key role of government staff and institutions. One participant noted, for example, that three persons are said to be crucial for a policy intervention to work in India: the petty contractor, the local policeman and the lowest functionary in the revenue department.

## What Can Donors Do?

### On Swedish policy

Remarks on the challenges facing development assistance donors had been made throughout the workshop, but took centre stage during the **fifth and final session**, ‘what can governments and donors do?’, an open discussion moderated by Shantayanan Devarajan.

Choosing whether to work through governments or through non-government actors can be a dilemma in this context. Torgny Holmgren of the Foreign Ministry’s Department of Development Policy described, with particular reference to service provision, how Swedish ODA is channelled to central governments mainly in the form of budget support and, in nations with weak government capacity, to civil society organisations. However, as Devarajan questioned, if popularly elected politicians do not act in the interests of poor people, why deal with politicians at all? On the other hand, how can democratic processes and institutions be strengthened if donors keep circumventing government institutions in favour of NGOs and other civil society organisations? In more general terms, why are donors so concerned with democracy at all, given the intrinsic problems many democratic regimes have in being accountable to their poorer citizens?

These questions framed parts of the debate. Helena Bjuremalm of the Division of Democratic Governance at the Swedish International Development Cooperation Agency (Sida) explained that democracy is not a *condition* for Swedish aid, although it is one of eight central components in Sweden’s policy for global development. Sida’s work aims rather at supporting existing processes in a democratic direction. Democracy is, moreover, regarded to have a value in its own right, on top of potential gains for e.g. service delivery. There is admittedly a tendency to expect countries to become democratic more rapidly than is realistic. Many current regimes can today be described as ‘semi-authoritarian’. Elections are held, but in practice other processes determine who will govern. However, Sweden cannot deny a country its support for democratic development on the grounds of being at ‘too early a stage’ in the process. It is in such cases key to be very cautious in the choice of partners and processes to support.

Dorrit Alopaeus-Ståhl, of the Swedish Foreign Ministry’s Department of Multilateral Development Cooperation, remarked that half of Swedish ODA is channeled through multilateral organizations, in which the partner countries are also members. Thus, Sweden faces a dilemma in its ambitions to promote democratic governance as a condition for the organizations’ activities in non-democratic countries. The government representative from Guatemala, Hugo Beteta, noted from his perspective of a ‘partner country’ that donors will fail to advance the cause of the poor as long as they do not coordinate their activities better. Currently, donors all work through different channels and therefore cannot push for policy reform. From a different standpoint, one participant suggested that donors should instead be guided by their comparative advantages. What in the field of development does e.g. Sweden do better than others? One result of this focus on coordination is that some things are not being done.

### **Information – who needs to know what?**

It was stated and repeated that aid cannot be politically neutral. Donors' activities have political consequences; this is important to acknowledge. Views diverged, however, on the most appropriate and constructive approach with regard to strengthening democracy and improving service delivery. In particular, the question of whether there is a need for more knowledge about people's preferences, and how best to gain such knowledge, was discussed.

According to one view, an important part of the problem is that all that exists is anecdotal information about what poor people really care about and what their preferences are in terms of issues and outcomes. If donors and international agencies were to invest resources in systematically collecting such information, they would be in a much stronger position to influence political priorities. A related argument followed along the lines that local politicians would also be much better equipped to meet people's interests. The sceptics argued that for various reasons such information will not lead us that far: preferences change and the answers you receive depend on how you pose the question. Secondly, only qualitative analyses can capture the full picture of service failures. And finally, even if there is better knowledge of poor people's preferences, the political demands of the middle-classes will still complicate the case for improving service delivery to the poor.

Another suggestion was to help enable *the poor* to be better informed, much in line with Khemani's inquiry into the potential of information campaigns (session 1). If information on the annual spending on e.g. health services, in relation to data on basic outcomes – like child mortality and immunisation rates – were widely publicised, people could judge for themselves how well their politicians were doing. This could change the terms of political competition for the better and discourage politicians from taking the easy way out by appealing to ethnic identities and the like. One of those who backed this suggestion argued that this would bring together donors' efforts by linking the 'accountability agenda' to the 'getting-policies-to-work agenda'. Democracy promotion now tends to target the political *apparatus* of rules and institutions, not the political market. Meanwhile, reforms in other areas are supported without much concern as to their political content. Sida's representative conceded that the tendency to 'sectoralise' issues and programmes makes it really difficult to achieve a coherent approach in development cooperation. However, there are ongoing efforts to build bridges between the division of democratic governance and other parts of the organisation, e.g. the Department for Infrastructure. Swedish democracy support also includes measures to improve the 'political market', most importantly support for independent media.

### **Supporting local actors**

There were strong voices for supporting local actors with an involvement in an issue, for example with the technical resources to meet and talk. References were made e.g. to the health movement in Brazil that assembled various groups with a common concern for a more inclusive health system. Someone pointed out that simple matters, like finding premises for meetings, is a real ob-

stale in some contexts. This would be a way for donors to make a constructive contribution without taking political sides. The reasoning was that providing such resources would also be a way of ensuring long-term sustainable outcomes. What works in one context will not necessarily work in another. The best ideas emerge in the country itself and strong results generally require a long process of trial and error. Donors were therefore advised to encourage the study of policies that have survived changes in government. However, as someone remarked, policies with such survival capacity need not be the most constructive ones for poverty reduction. In India, for example, subsidised electricity is prioritised over basic health services.

Another message to donors, aside from questions on choices and approaches, was simply to improve the survival of an institutional memory in partner countries. There can be a fairly frequent turnover of staff in some places and if no one remembers what has been said before (there are examples of this), it becomes difficult to support long-term reform processes. In addition, the imperative to make use of funds according to original schedules often takes precedence over considerations of impact and efficiency.

### **Closing**

The rich and energetic discussion of this final session did not result in any unanimous recommendations on how donors can best contribute to strengthened democratic processes and improved service delivery or how to generally understand and deal with these problems. This was, however, not to be expected in view of both the complexities involved and the varied perspectives of the participants. Still, everyone did agree on the importance of understanding the *political* equations behind social and economic outcomes, in democracies and elsewhere.

The workshop was closed by Shantayanan Devarajan and Ingrid Widlund, who thanked all participants for making the event such an energising and informative exercise. The debates will continue.





Basic services in health, education and sanitation are failing poor people world-wide, even in democratic systems with free media and institutional mechanisms for ousting leaders who govern badly. Why, and what can be done about it?

This volume brings together a collection of short papers that address issues and practical experiences related to these questions. The contributing authors represent different disciplines, approaches and opinions but share a sensitivity to the political dimension of service delivery provision.

Policy implications are discussed, together with recommendations for donors of official development assistance.



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