

# Demanding to Be Served:

## Holding Governments to Account for Improved Access

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## Abstract

This paper presents an overview of the constitutional-legal provisions on access to services in developing countries and shows that rights to public services are not justice-able. It further documents the performance record to show that governments' response to such a weak accountability framework has been predictable – poor performance in service delivery with little accountability. The paper also shows that while there has not been a shortage of ideas on how to deal with this problem, most approaches have failed because they could not diagnose and deal with the underlying causes of government dysfunction. The paper presents an analytical perspective on understanding the causes of dysfunctional governance and the incentives and accountability regimes that have

the potential to overcome this dysfunction. The paper also documents practices that have shown some promise in improving access. The paper then integrates ideas from successful practices with conceptual underpinnings for good governance and presents a citizen-centric (rights based) governance approach to access. It further explores how such a citizen empowerment and government accountability framework can be implemented in practice, especially in the context of developing countries, where most governments still operate in a command and control environment with little or no orientation to serve their people. It also presents ideas on how to overcome resistance to such reforms.

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Access***

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# ***Demanding to Be Served: Holding Governments to Account for Improved Access***

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## **1. Introduction**

While there has been some progress on improving access during the past 50 years, access to basic services in developing countries, especially by the poor and other disadvantaged members of society, remains appalling. Many governments in developing countries see service provision as an act of benevolence rather than of responsive and accountable governance. Adam Smith wrote in the *Wealth of Nations* that “...it is not from the benevolence of the butcher, the brewer or the banker that we expect our service, but from the regard to their own interest.” Taking this analogy to the public sector, how do we ensure that citizens in developing countries have the right to be served by their governments rather than be (ruthlessly) ruled upon? This paper discusses operational approaches to make this dream a reality. The overall thrust of such approaches is citizens’ empowerment to hold their governments to account for service delivery through an institutional framework with justice-able rights to public services and redress, and an accountability framework to deal with government failures.

The paper is organized as follows: Section 2 presents an overview of the constitutional-legal provision on access to services in developing countries and shows that rights to public services are not justice-able. It further documents the performance record to show that governments’ response to such a weak accountability framework has been predictable – poor performance in service delivery with little accountability. Section 3 shows that while there has not been a shortage of ideas on how to deal with this problem, most approaches failed because they failed to diagnose and deal with underlying causes of government dysfunction. Section 4 documents practical approaches that have shown some promise of success. In this context, the section highlights successful experiences from around the globe where citizen activism or enlightened political leadership have resulted in improving access to service delivery with strengthened, bottom-up accountability. From these experiences, the chapter develops pathways to reforming

corrupt and inefficient governments through effective voice and exit options by the citizens themselves, encouraging bottom-up processes rather than hoping that such reforms could be adopted through top-down approaches. Section 5 presents an analytical perspective on understanding the causes of dysfunctional governance and the incentives and accountability regimes that have the potential to overcome this dysfunction. A transactions costs approach is used to explain poor performance accompanied by a lack of accountability. Based upon this neo-institutional economics framework, operational ideas in holding various orders of government to account for standards of and access to public services are developed. Section 6 integrates ideas from successful practices with conceptual underpinnings for good governance and presents a citizen-centric (rights based) governance approach to access. Section 7 explores how such accountability framework can be implemented in practice, especially in the context of developing countries, where most governments still operate in a command and control environment with little or no orientation to serve their people. The section also discusses how resistance to such reforms could be overcome.

## **2. Access to Basic Services in Developing Countries**

### *2.1 The Promise – Constitutional Access Rights to Basic Services*

Developing countries have set lofty constitutional rights to basic services. Table 1 provides a summary view of such rights in large countries. In most countries, access to primary and secondary education is guaranteed free of cost to all. Nigeria goes further and promises free university education to its citizens as well. Most governments also promise to provide universal and almost free access to health care. China, Nigeria and Pakistan also assure free shelter to the needy. Nearly one in every two countries promise welfare assistance to mothers, children, and needy persons, assistance to those out of work, old age protection, equal economic opportunity and safeguards for minorities and disadvantaged groups.

**Table 1: Constitutional Rights of Access to Basic Services in Large Countries  
(with 2005 Population Over 75 million)**

Countries	Free PSE SSE	Public Health care	Water	Sanitation	Shelter	SW	SP	EO	PDAG
Bangladesh (142m)	Free high school education	Y				Y	Y	Y	Y
Brazil (186m)	Free	Y				Y	Y	Y	Y
China (1304 m)	Only PSE Free	Y			Y	Y	Y	Y	Y
India (1095m)	Free	Y						Y	Y
Indonesia (221m)	Free								
Mexico (103m)	Free					Y	Y		
Nigeria*(132m)	Free	Y			Y		Y		Y
Pakistan (156m)	Free				Y	Y	Y	Y	Y
Philippines (83m)	Free	Y							Y
Vietnam (83m)	Free	Y				Y			

Notes: Y =Yes, N= No, PSE: Primary school education; SSE: Secondary school education; SW: social welfare; SP: social protection; EO: Equal opportunity; PDAG: protection of disadvantaged groups

\*Nigeria guarantees free education at all levels including the university education

Source: Constitutions of countries listed

Beyond constitutional rights, the international development community has frequently made promises to advance access to basic services. In 1977, in Mar del Plata, Argentina, a UN convention established goals to provide safe water and sanitation for all by the end of 1980s (United Nations 1977). In 1990, this deadline was extended to 2000. In 1978, in Almaty, Kazakhstan, all governments pledged to provide “health care for all” by 2000 (World Health Organization and United Nations Children’s Fund 1978). In 1990, in Jomtien, Thailand the goal for achieving universal primary schooling by 2000 was set. In September 2000, in New York, world leaders agreed to establish eight millennium development goals to be achieved by year 2015. These included halving poverty and hunger, achieving universal access to primary education, reducing child mortality rates by two-thirds and maternal mortality rates by three-fourths, arresting HIV/AIDS and Malaria, improving access to safe water and sanitation by half, and improving housing for at least 100 million slum dwellers.

## *2.2 The Results in Service Delivery and Access So Far*

In most developing countries, the constitutional mandate for rights to basic services is not fully mandated. While a government may strive to provide for these basic services, there is no accountability if the promised access is not delivered. In fact, in a majority of cases, access to basic services such as education and health remains highly constrained for disadvantaged groups such as women, the poor, the needy and rural residents. Residents in almost all countries in South Asia and Sub-Sahara Africa do not have any access to social protection and social safety nets in spite of lofty constitutional promises.

As far as the MDGs are concerned, there has been significant progress in recent years in dealing with poverty and hunger but mainly because of the economic success of China and India. Africa, however, has made only small gains in dealing with poverty and hunger. The goal of universal primary education appears achievable in East Asian and Pacific-Rim countries, Eastern Europe and Latin America, but Sub-Sahara Africa and South Asia are still lagging behind. While some progress has been made, the goals of

reducing child and maternal mortality are also unlikely to be achieved by 2015 as reliable statistics are not available to monitor progress. Similarly, there are no reliable statistics available to monitor progress in arresting HIV/AIDS and Malaria. Most regions have made excellent progress in improving access to safe water, but progress has been slower in providing sanitation, especially in Sub-Saharan Africa. Improving the housing conditions for slum dwellers also remains an unmet challenge.

### **3. Approaches to Improving Access That Have Not Succeeded As Well As Expected**

Development literature is replete with examples of approaches that have not succeeded as well as expected to make a difference in improving access to basic services over the last five decades. A few examples of such well known approaches are discussed in the following paragraphs.

#### *Provide More and More External Assistance*

Foremost advocates of this approach are some leading academics such as Jeffrey Sachs, Paul Collier and Nicholas Stern (see United Nations, 2005). The basic argument in support of such higher assistance is that developing countries lack the technical know-how and finance to deal with issues confronting their development and an infusion of foreign capital and know-how will help overcome these obstacles. This approach has lot of merit but the past history of external assistance does not provide much comfort regarding the success of this approach, as most studies confirm that external assistance has not been as productive as anticipated (Broad and Cavanagh 2006, Rodrik, 2006). This is because a significant fraction of these projects do not show successful sustainable outcome, and many policy reforms are also sometimes either postponed or delayed in anticipation of qualifying for higher assistance in the absence of reform (Huther, Roberts and Shah, 1997).



### *Spend More and Do More*

This approach espouses the view that the government's lack of adequate revenues contributes to less than adequate service delivery. Government performance could be improved by allowing a government greater access to revenues to promote higher public spending. Mounting evidence on developing country experiences does not substantiate the view that higher spending leads to improved and better quality of public services. In fact, the record shows that there is no one-to-one relationship between spending and service delivery in developing countries. Instead, in many countries, higher spending led to reduced access to basic public services due to dysfunctional governance (see World Development Report 2004 and Huther, Roberts and Shah 1998).

### *Spend Less and Do Less*

This represents a leviathan view of government where government bureaucracies may be too large and therefore downsizing and outsourcing government functions may improve government efficiency (Gangl 2007). This approach may be helpful up to a limit, but there are some critical functions, such as unemployment insurance, social welfare assistance and environmental protection, that the private sector may not be able to perform, or at least not adequately without government oversight (Kitchen 2005).

### *Run Government Like a Private Business*

There is some merit in applying business principles in managing government operations (Dickenson 1996), however, in government, lack of a bottom-line makes the application of such an approach difficult. This is because the government has the power of extortion and can carry out taxation in perpetuity to finance its deficits. Government managers therefore may have the luxury of consistently making bad decisions without facing the consequences of these decisions. In the private sector, on the other hand, poor managerial

decisions affect the profitability of the firm and a multitude of such decisions may put the firm out of business.

### *Hire Better People and Find an Enlightened Leader*

This approach advances the viewpoint that government operations could be improved by introducing meritocracy in civil service by seeking enlightened leaders. Developing country experiences show that countries with merit based civil service such as India, Nigeria and Pakistan performed quite poorly in service delivery as the problem was not the people but the governmental system that failed to provide incentives for results based accountability. As far as the enlightened leader is concerned, it is difficult to envisage a democratic political process to identify and install such leadership.

### *Reform Government by Strengthening Internal Top-down Processes (Strengthening Vertical Hierarchical Accountability)*

While streamlining managerial oversight is a desirable goal, developing country experiences do not provide support for the view that simply strengthening top down processes improves government's service delivery performance (Jenkins, 2007 and Veron et. al, 2006).

### *Combat Corruption through Anti-corruption Agencies*

An important reason for failed access to basic public services is that public resources are siphoned off through corruption and malfeasance. Anti-corruption agencies, or “watchdog” agencies, have often been advocated as an antidote to corruption, but in countries with endemic corruption, these agencies have been shown to compound the incidence of corruption. Their effectiveness depends on the “governance-corruption nexus” – where there is good governance, anti-corruption agencies can be effective, where governance is weak, they often add to the existing corruption (Shah 2007, 246) and can be abused as tools for victimization of political opponents (Pope and Vogl, 2000).

### *Improve Fiscal Transparency and Financial Accountability*

These are desirable reform measures but in countries with high incidences of corruption and absence of rule of law, they have proven to be less effective in improving government performance. This is because fiscal transparency initiatives in developing countries typically result in making complex and incomprehensible data available to public in a non-user friendly manner. Most citizens have neither the interest nor the ability to sift through complex morass of fiscal data that lack any service delivery performance information. Such complexity of details devoid of any performance information simply reinforces citizens' mistrust of their governments. Strengthening financial accountability have also not yielded the desired results in improving government effectiveness in countries with poor governance as in corrupt environments they have failed to prevent cooking the books at least change citizens' perceptions regarding such perceived malfeasance. The usual perception in developing countries is that measures to strengthen financial accountability simply allow corrupt officials to maintain consistent set of accounts without curtailing their corrupt acts (see also Khan, 2007, Dye, 2007, Shah, 2007, De Mello, Jr., 2000). Recent experiences of OECD countries suggest that such measures improve government performance, if there is good governance in the first place. Further even in OECD countries, the success of fiscal transparency initiatives depend upon: (a) simple and relevant information being provided to citizens in a user-friendly manner; (b) citizens have the opportunity to engage without being overtaxed by excessive consultation requirements; and (c) the citizens trust government's resolve to transparency and integrity (see Wright, 2008). The above conditions are often not satisfied in transparency initiatives undertaken by governments in countries with high incidence of corruption.

### *Build Technical Capacity*

Building technical capacity is of little use in public sector environments that are ripe with rent seeking. Lack of technical capacity has little to do with dysfunctional governance in

developing countries. Countries with technically competent bureaucracies often fail to serve their citizens in the absence of an incentive regime that reinforces results based accountability.

### *Implement Participatory Approaches to Budgeting and Decision Making*

Participatory budgeting represents a direct democracy approach to budgeting. Done right, it has the potential to make governments more responsive to citizens' needs and more accountable to them for performance in resource allocation and service delivery. It nevertheless comes with significant risks. Participatory processes can sometimes be captured by interest groups, masking the undemocratic, exclusive, or elite nature of public decision making, and giving the appearance of broader participation and inclusive governance, while at the same time using public funds to advance the interests of powerful elites (Banerjee et. al 2008, Shah, 2007). To prevent these abuses, participatory process should be coupled with an emphasis on good governance, and must fully recognize local politics and the formal and informal power relations that exist, so that the process yields outcomes desired by the median voter.

### *Treat Citizens as Clients and Strengthen Social Accountability*

The main argument is that treating citizens as clients/consumers would help government improve service delivery performance because citizen feedback would serve as an important influence in overcoming deficiencies in service delivery systems (see World Development Report, 2004). The social accountability framework takes this idea further by emphasizing the importance of civic engagement in serving clients better. These approaches provide a public sector analogue to consumer sovereignty in the market place. This view is helpful (see Box 1 for often cited "success" stories) but suffers from a fundamental conceptual weakness i.e. a recognition that while in the market place consumer sovereignty reigns supreme due to its effect on the bottom-line. There is no parallel accountability mechanism in the public sector. In fact, the public sector can continue to survive and even prosper due to the legal power of extortion (taxation)

enshrined by law, whether or not “consumers” are exercising their sovereignty. Therefore, this paradigm would fail to induce any accountability where the regime in power may not be receptive to citizens’ views as citizens are disempowered in this framework. In fact, some corrupt regimes and interest groups may abuse so-called participatory approaches to unleash a tyranny of the elite (see Cooke and Kothari, 2001 and Shah, 2007).

**Box 1. The Practice of Social Accountability – Often cited “Success” Stories**

The following are the often cited “successful” examples of social accountability.

- *Mexico Electoral Accountability:* The Federal Electoral Institute has the mandate to hold elections and has done so far successfully by having all political parties represented on the executive council. It is not clear whether this indeed represents a successful case as the last federal election was disputed by the main opposition.
- *Philippines Local Government Code:* The code mandates participation by the non-governmental organization (NGOs) in local decision making. It is not clear that this would be desirable if NGOs simply represent special interest groups.
- *Croatia Budget Transparency:* An independent think tank, The Institute of Public Finance, publishes independent analysis of government budget which receives media attention. This is to be commended but impact may be small as governments typically are artful in dealing with such exposure.
- *Brazil Participatory Budgeting:* Porto Alegre’s experience is well documented as a successful experience but awaits critical evaluation in terms of satisfaction of the median voter with the process and also its broader applicability.
- *Niger Participatory M&E System:* Donor supported monitoring and evaluation of community projects is reported to be working well. Is it sustainable? Will it work without donor assistance? These questions remain to be answered.
- *Marshall Island Gender Sensitive Budget:* Donor supported initiative with great promise of success is reported to have already faltered.

Source: Adapted from World Bank Institute (2005).

In conclusion, while the development literature is ripe with technocratic ideas and flavor of the year slogans, in practice such ideas have not yielded demonstrable improvements in government performance anywhere. In the next section, we revisit a few ideas that have shown some, albeit limited, promise of success.

#### **4. Approaches That Have Shown Some Promise of Success in Practice**

A number of innovations in government during the last two decades have demonstrated some potential for success. These are briefly highlighted in the following paragraphs:

##### *Letting the Sun Shine in on Government Operations*

Enlarging the sphere of information on government operations available to citizens at large creates an enabling environment for government accountability. Two important examples are Citizens' Report Card in Bangalore, India where an independent citizens' right to information advocacy group publicizes the service delivery performance of state and local governments and demands action to overcome bottlenecks (see Paul 2002). Another approach practiced in Uganda with some success was the expenditure tracking surveys which tracked government finances and its leakages (Reinikka 2006).

##### *Subsidiarity*

The subsidiarity principle argues for assignment of responsibility to the lowest order of government unless a convincing case can be made for higher order assignment (Shah 2007). The European Union adopted this principle as a framework for jurisdictional design. Conceptually, this principle strengthens bottom-up accountability by moving public decision making closer to people. In practice some form of democratic governance is required for such accountability to work. Therefore success of such a principle requires comprehensive political, administrative and fiscal decentralization. Most developing

countries are prepared to implement political decentralization but show reluctance in shifting fiscal and administrative powers to local governments (Shah, 2002).

### *Results Based Accountability*

Results based accountability requires a framework to hold government to account for service delivery performance. Such approaches are characterized as new public management and have the following common elements:

- Contracts or work program agreements based on prespecified outputs, performance targets, and budgetary allocations
- Managerial flexibility, coupled with accountability for results
- Use of subsidiarity principle in assigning responsibility to various orders of government
- Competitive public service provision.

There are two alternate approaches to results based accountability that have been implemented by a selected group of countries, one relying on market-like arrangements and the other relying on managerial norms and competence (Table 2). The former strategy, “making managers manage,” used by New Zealand, specifies contracts with budgetary allocations and competitive pressures. The latter approach “letting managers manage,” is practiced in Australia and Sweden. Both strategies provide the flexibility public managers need to improve performance. The critical differences between them are the reliance on incentives and competitive spirit in the first and good will and trust in the latter. The two approaches take different perspectives on how to reward public servants. The performance-based contracts reward the chief executive financially if the organization achieves its performance targets. The empowerment approach holds that public servants are more motivated by the intrinsic rewards of public service than material benefits. The contract-based approach relies on incentives and competitive market mechanisms to enforce accountability of public managers. The empowerment

approach simply hopes that managers will be ethically and professionally motivated for performance.

<b>Table 2 Comparison of Two Alternate Results Based Accountability Approaches</b>		
<b>Theoretical Models</b>	<b>Make the Managers Manage</b>	<b>Let the Managers Manage</b>
<b>Strategies</b>	Market-like arrangements	Managerial norms and competence
<b>Mechanism</b>	Contracts	Empowerment
<b>Commonality</b>	Give public managers the flexibility they need to improve performance	
<b>Differences</b>	-- Using specific, tightly written performance contracts that leave little room for trust -- motivate improvements with extrinsic rewards	-- Implicitly trusting public managers to exercise their judgment intelligently -- motivate primarily by the intrinsic rewards of public service.
<b>Examples</b>	New Zealand	Australia, Sweden, USA

Source: Shah and Shen, 2007

It is important to stress that managerial accountability must be based on outputs rather than outcomes as the latter are beyond managers' direct control, difficult to define and quantify, and impossible to use as a costing basis. Major justifications for including output based accountability are: (1) It is difficult or implausible to link outcomes directly with managerial actions and decisions as outcomes are remote in time and space from what the program does and how it interacts with other factors. The extent of a manager's direct control over outputs is usually much more substantial than outcomes; (2) Outcomes are immensely difficult to identify, and certainly difficult to quantify. The timescale for measuring outcomes normally spans some time after the program intervention, and is generally not in sync with the same budgeting cycle; and (3) Calculating the cost of the effort to achieve outcomes can be more difficult than costing outputs (Kristensen, et al. 2002, 16). Outcomes are typically achieved not just as the result of a single intervention by one program in isolation, but by the interaction of a number of different



planned/unplanned factors and interventions. Hence, it is inappropriate and unrealistic to hold public managers accountable for outcomes. The focus on outputs as practiced in New Zealand and Malaysia offers greater potential for accountability for results.

Outcomes however should be monitored and could be the basis for cabinet accountability; an exclusive emphasis on quantitative output measures without a focus on at least some form on outcomes can distort attention in delivery agencies and run the risk of losing sight of the bigger picture with regard to the impact of their programs on citizens and society.

On the way to fostering outputs-based accountability, it is essential to provide more managerial flexibility through relaxing central input controls. Relaxing central input controls operates at two levels: first, the consolidation of various budget lines into a single appropriation for all operating costs (salaries, travel, supplies, etc.); second, the relaxation of a variety of central management rules that inhibit managerial flexibility, particularly the personnel management function where most central rules exist. The personnel cost is generally the largest component of operating expenditures, and it makes little difference to consolidate budget lines if central rules in this area prevent any flexibility. Sweden's experience in dismantling central control over human resource management offers some interesting insights (Blöndal, 2003).

#### *Alternate Service Delivery Framework*

The alternative service delivery framework represents a dynamic consultative and participatory process of public sector restructuring that improves the delivery of services to clients by sharing governance functions with individuals, community groups, the private sector and other government entities, introducing competitive pressures to public service provision. The implementation of this approach requires subjecting government operations to the following seven sequential tests:

1. *Public Interest Test*: Does the program area or activity continue to serve a public interest?

2. *Role of Government Test*: Is there a legitimate and necessary role for the government in this program area or activity?
3. *Jurisdictional Design Test*: By applying subsidiarity principle, what would be the appropriate roles of various orders of government?
4. *Partnership Test*: What activities or programs should or could be transferred in whole or in part to the private or voluntary sector?
5. *Competition Test*: Are public providers subject to competitive pressures from non-government providers? How should financing be structured to foster competition in provision of public services?
6. *Efficiency Test*: If the program or activity continues, how could its efficiency be improved?
7. *Affordability Test*: Is the resultant package of programs and activities affordable within the fiscal constraints? If not, what programs or activities should be abandoned?

The ASD framework described above can help rationalize government operations and subject government provision to competitive pressures from non-government providers. Since the 1990s, federal and provincial governments in Canada have had significant success in improving service delivery performance through the use of this framework (Shah, 2005, McDavid 2000).

### *Benchmarking*

Benchmarking represents comparing one's performance against its own comparators. With enhanced focus on government accountability especially at the local level, local governments in North America use neighboring jurisdictions to get a handle on their relative efficiency and performance. This introduces a sense of competition to deliver services more cost effectively. Benchmarking is also used to compare one jurisdiction's performance against its own performance historically. Such a comparison can reveal trends of government efficiency and productivity.

### *Direct Democracy*

Direct democracy provisions aim at giving citizens an opportunity to participate directly in important public decisions that may have important bearing on their quality of life. Switzerland requires public referenda for all major projects and policy changes and in Canada, questions of national importance have also been decided in this way (Bauch 1995). These provisions help to introduce responsive and accountable government.

### *Citizens' Charter*

A citizens' charter is defined as a constitutional and/or legal enactment by which the government binds itself to delivering specified standards and quality of public services, while being held accountable for non-delivery. Malaysia followed this approach to improving quality and access of its public services. A "clients' charter" was established in 1993 which required specification of standards of services to form the basis of public accountability of government agencies and departments. This charter requires all agencies/departments to identify their customers and establish their needs. Agencies are further required to notify clients about the standards of services available. Public agencies are required to report and publish (in print and on the web) annually on both service improvements and compliance failures. Corrective action is required to deal with compliance failures. Clients also have a right to redress through the Public Complaints Bureau (see Chiu, 1997, OECD, 1998, Siddiquee, 2006a,b, 2005) .

A similar approach has been carried out by the local government in Naga City, Philippines. For all local public services delivered by the city, citizens are advised on the service standards and how they could obtain access to such services (see City Government of Naga, 2003).

## **5. Why Access Remains A Nagging Problem: Conceptual Perspectives**

Two recent important conceptual perspectives explain why access to basic services by the poor remains a field of dreams. The first perspective is a reinterpretation of the new public management literature (NPM) as elaborated by Mark Moore and others (see Moore, 1996, Shah, 2005) and the second attempts to address the same problem by using newer ideas from the Neo-institutional economics literature (NIE). We discuss these perspectives in turn in the following paragraphs.

*Discordance among Mission, Authorizing Environment and Operational Capacity and Bureaucratic Culture: New Public Management Perspectives (NPM)*

A simple way to see why the public sector is dysfunctional, does not deliver much in developing countries, and yet is difficult to reform, is to have a closer look at public sector mission and values, its authorizing environment, and its operational capacity.

- a) *Public sector mission and values.* Societal values and norms, e.g., as embodied in the constitution or in annual budget policy statements, may be useful points of reference for public sector mandates and the values inherent in these mandates. Unwritten societal norms that are widely shared or acknowledged should also be taken into consideration. In industrialized countries, the mission and values of the public sector are spelled out in terms of a medium term policy framework. For example, there is a formal requirement in Canada and New Zealand that a policy statement of this type be tabled in the parliament by March 31 (about 2-3 months in advance of the budget statement). Public sector values in developing countries are rarely addressed. This is because the orientation of the public sector remains towards “command and control” rather than to serve the citizenry. For an official trained in ‘command and control’, the need to develop a code of conduct with a client orientation, may appear frivolous.
- b) *Authorizing environment.* This includes formal (budgetary processes and institutions) and informal institutions of participation and accountability. Do these institutions and processes work as intended in providing an enabling environment for the public sector to meet its goals? Do various levels of government act in the spirit of the constitution in exercising their responsibilities?

What are the checks and balances against deviant behavior? In industrialized countries, institutional norms are strictly adhered to and there are severe moral, legal, voter and market sanctions against non-compliance. In a developing country environment, non-compliance is often neither monitored nor subject to any sanctions.

- c) *Operational capacity and constraints.* What is authorized is not necessarily what will get done as the available operational capacity may not be consistent with the task at hand. Further, even the operational capacity that is available may be circumvented by the bureaucratic culture or incentives that reward rent seeking, command and control, corruption, and patronage, all with little concern for responsiveness to citizen preferences in service delivery and almost a total lack of accountability to citizen-voters.

Figure 1: Public Sector Institutional Environment  
In Developing Countries

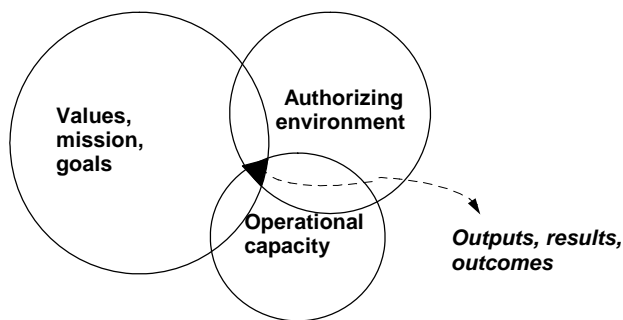


Figure 1 shows that discordance among mission, authorizing environment and operational capacity contributes to a dismal public sector performance in the delivery of public services. Furthermore what is delivered in terms of outputs and outcomes are typically inconsistent with citizens' preferences. The challenge of public sector reform, therefore, in any developing country is to harmonize the public sector's mission and values, its authorizing environment and its operational capacity so that there is a close, if not perfect, correspondence among these three aspects of governance. Such a task is

daunting for many developing countries since they often have lofty goals, yet lack an authorizing environment that is capable of translating these goals into a policy framework. This problem is often compounded further by bureaucratic incentives that make any available operational capacity to implement such a framework rather dysfunctional.

Table 3 presents a stylized comparison of the institutional environment in a primitive society, a developing country and an industrialized country. It is interesting to note that while technical capacity in the modern sense was non-existent in a traditional society, due to harmonization of its goals, its authorizing environment and its operational capacity, public sector outcomes were consistent with member preferences. The cultures of such societies more often than not focused on accountability for results. The system of rewards and punishment was credible and swift and much of the business relations were based on informality and trust. Thus, while per capita GDP in such societies was quite low, member satisfaction with collective action was observed to be high and quite possibly not too far behind the degree of satisfaction with public sector experience in today's industrial societies.

**Table 3: Public Sector Institutional Environment—Stylized Facts**

	<i>Traditional society</i>	<i>Developing country</i>	<i>Industrial country</i>
Goals	Clear and realistic	Vague and grandiose	Clear and realistic
Authorizing environment	Strong	Weak	Strong
Operational capacity	Consistent and functional	Dysfunctional	Consistent and functional
Evaluation capacity	Strong	Weak	Strong
Public sector orientation	Output	Input controls, command and control	Input, output and outcome monitoring
Public sector decision making	Decentralized	Centralized	Decentralized
Private sector environment	Informality and trust	Semi-formality but lack of trust and	Formal and legal

Accountability culture	Snakes and ladders	disregard for rule of law “Gotcha”	Learning and improving
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Source : Shah (2005)

This contrasts with the picture that can be portrayed for a typical developing country. In such a country, there is discordance in the society’s goals, authorizing environment and operational capacity. As a consequence of this disharmony, not much gets accomplished and citizens’ expectations are belied. Lack of accountability and focus of the evaluation culture leads to a systemic malaise, blunting any self-correcting mechanisms which may exist. Semi-formality imposes additional costs on doing business and does not lead to any benefits in business relations due to a lack of respect for the law. Contracts may not be honored and therefore carry little value. In view of the dysfunctional nature of the public sector in many developing countries, it is important for these to leapfrog forward (or even backwards) to a public sector culture that puts a premium on client orientation and accountability for results.

*Commitment Problem in the Public Sector: Perspectives of the New Institutional Economics (NIE)*

Finally, neo-institutional economics (NIE) presents a refreshing perspective on the lack of access to public services in developing countries. The NIE treats citizens as principals and public officials as agents. The principals (citizens) have bounded rationality – they act rationally based upon the incomplete information they have. In order to have a more informed perspective on public sector operations, they face high *transaction costs* in acquiring and processing the information. On the other hand, agents (public officials) are better informed. This asymmetry of information allows agents to indulge in opportunistic behavior which goes unchecked due to high *transaction costs* faced by the principals and lack or inadequacy of countervailing institutions to enforce accountable governance<sup>2</sup>.

<sup>2</sup> Following this line of thought, Lambsdorff et al. note that in fighting corruption from a NIE perspective policy makers should aim to “encourage betrayal among corrupt parties, to destabilize corrupt agreements, to disallow corrupt contracts to be legally enforced, to hinder the operation of corrupt middlemen and to find clearer ways of regulating conflicts of interest.”

Thus, corrupt countries lack transparency in governance and have inadequate mechanisms for contract enforcement, weak judicial systems and inadequate provisions for public safety. This raises the transaction costs in the economy, further raising the cost of private capital as well as the cost of public service provision. The problem is further compounded by path dependency (i.e. a major break with the past is difficult to achieve as any major reforms are likely to be blocked by influential interest groups), cultural and historical factors and mental models where those who are victimized by corruption feel that attempts to deal with corruption will lead to further victimization, with little hope of corrupt actors being brought to justice. These considerations lead principals to the conclusion that any attempt on their part to constrain corrupt behaviors will invite strong retaliation from powerful interests. Therefore, citizen empowerment (e.g. through devolution, fiscal transparency, citizens' charter, bill of rights, elections and other forms of civic engagement) assumes critical importance in combating corruption because it may have a significant impact on the incentives faced by public officials to be responsive to public interest (see Shah, 2007).

## **6. A *Synthesis*: Citizen-Centric Governance as an Approach to Dealing with Access**

We have reviewed ideas emerging from the literature on political science, economics, public administration, law, federalism, and the NIE with a view to developing an integrated analytical framework to improve access to public services. The dominant concern in this literature is that the incentives and accountability framework faced by various orders of government are not conducive to service delivery being consistent with citizens' preferences. As a result, corruption, waste, and inefficiencies permeate public governance. Top-down hierarchical controls are ineffective; there is little accountability because citizens are not empowered to hold governments accountable (Shah, 2005, Andrews and Shah, 2005, Huther, Roberts and Shah, 1997).

Fiscal federalism practices around the world are focused on structures and processes, with little regard for outputs and outcomes. These practices support top-down structures with preeminent federal legislation (that is, federal legislation overrides any subnational



legislation). The central government is at the apex, exercising direct control and micromanaging the system. Hierarchical controls exercised by various layers of government have an internal rule-based focus with little concern for their mandates. Government competencies are determined on the basis of technical and administrative capacity, with almost no regard for client orientation, bottom-up accountability, and lowering of transaction costs for citizens. Various orders of government indulge in uncooperative zero-sum games for control.

This tug of war leads to large swings in the balance of power. Shared rule is a source of much confusion and conflict, especially in federal systems. Local governments are typically the handmaidens of states and are given straitjacket mandates and limited home rule in their competencies. As well, citizens are only able to exercise limited voice and exit options. In short, local governments in this system of “federalism for the governments, by the governments, and of the governments” get crushed under a regime of intrusive controls by higher levels of governments.

The governance implications of such a system are quite obvious. Various orders of government suffer from agency problems associated with incomplete contracts and undefined property rights, as the assignment of taxing, spending, and regulatory powers remains to be clarified—especially in areas of shared rule. Intergovernmental bargaining leads to high transaction costs for citizens. Universalism and pork-barrel politics result in a tragedy of commons, as various orders of government compete to claim a higher share of common pool resources. Under this system of governance, citizens are treated as agents rather than as principals (see Shah and S. Shah, 2006, and Shah and F. Shah, 2007).

On how to reverse this trend and make governments responsive and accountable to citizens, the dominant themes emphasized in the literature are the subsidiarity principle, the principle of fiscal equivalency, the creation of public value, results-based accountability, and the minimization of transaction costs for citizens, as discussed earlier. These themes are useful but should be integrated into a broader framework of citizen-

centered governance, to create an incentive environment in the public sector that is compatible with a public sector focus on service delivery and bottom-up accountability. Such integration is expected to deal with the commitment problem in various levels of government by empowering citizens and by limiting their agents' ability to indulge in opportunistic behavior.

Such integration takes as the starting point, the neo-institutional perspective that various orders of government (agents) are created to serve, preserve, protect and promote public interest based upon the values and expectations of the citizens of a state (principals). The underlying assumption is that there is a widely shared notion of the public interest. In return, governments are given coercive powers to carry out their mandates. A stylized view of this public interest can be characterized by four dimensions of governance outcomes that embody the spirit and substance of citizen-centric governance.

*Responsive Governance.* The fundamental task of governing is to promote and pursue collective interest while respecting formal (rule of law) and informal norms. This is done by government creating an enabling environment to do the right things – that is it promotes and delivers services consistent with citizen preferences. Further, the government carries out only the tasks that it is authorized to do, that is, it follows the compact authorized by citizens at large

*Fair (equitable) Governance.* For peace, order and good government, the government ensures protection of the poor, minorities and disadvantaged members of the society.

*Responsible Governance.* The government does it right i.e. governmental authority is carried out following due process with integrity (absence of corruption), with fiscal prudence, with concern for providing the best value for money and with a view to earning the trust of the people.

*Accountable Governance.* Citizens can hold the government to account for all its actions. This requires that the government lets the sun shine in on its operations and works to

strengthen voice and exit options for principals. It also means that government truly respects the role of countervailing formal and informal institutions of accountability in governance.

Given the focus on governance outcomes, Table 4 presents some preliminary ideas for discussion on how to operationalize these concepts in reforming public governance in developing countries.

**Table 4: Criteria for Citizen –Centric Governance**

Governance outcome	Relevant considerations
Responsive governance	<ul style="list-style-type: none"> <li>- Public services consistent with citizen preferences</li> <li>- Direct, possibly interactive, democracy</li> <li>- Safety of life, liberty and property</li> <li>- Peace, order, rule of law</li> <li>- Freedom of choice and expression</li> <li>- Improvements in economic and social outcomes</li> <li>- Improvements in quantity, quality and access of public services</li> <li>- Improvements in quality of life</li> </ul>
Fair governance	<ul style="list-style-type: none"> <li>- Fulfillment of citizens’ values and expectations in relation to social justice, and due process</li> <li>- access of the poor, minorities and disadvantaged groups to basic public services</li> <li>- non-discriminatory laws and enforcement</li> <li>- egalitarian income distribution</li> <li>- equal opportunity for all</li> </ul>
Responsible governance	<ul style="list-style-type: none"> <li>- open, transparent and prudent economic, fiscal and financial management               <ul style="list-style-type: none"> <li>- working better and costing less</li> <li>- ensuring integrity of its operations</li> <li>- earning trust</li> <li>- managing risks.</li> <li>- competitive service delivery</li> <li>- focus on results</li> </ul> </li> </ul>
Accountable governance	<ul style="list-style-type: none"> <li>- justice-able rights and due process</li> <li>- access to justice, information</li> <li>- judicial integrity and independence</li> <li>- effective legislature and civil society oversight</li> </ul>

	<ul style="list-style-type: none"> <li>- recall of officials and rollbacks of program possible</li> <li>- effective limits to government intervention</li> <li>- effective restraints to special interest capture</li> </ul>
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Source: Author's perspectives

The distinguishing features of citizen-centered governance are:

- Citizen empowerment through a rights-based approach (direct democracy provisions, citizens' charter)
- Bottom-up accountability for results
- Subsidiarity principle and home rule
- Evaluation of government performance as the facilitator of a network of providers by citizens as governors, taxpayers, and consumers of public services

The framework emphasizes reforms that strengthen the role of citizens as the principals and create incentives for government agents to comply with their mandates. The commitment problem may be mitigated by creating citizen-centered local governance—by having direct democracy provisions, introducing governing for results in government operations, and reforming the structure of governance, thus shifting decision making closer to the people. Direct democracy provisions require referenda on major issues and large projects and require that citizens have the right to veto any legislation or government program. A “governing for results” framework requires government accountability to citizens for service delivery performance. Hence, citizens have a charter defining their basic rights as well as their rights of access to specific standards of public services. Output-based intergovernmental transfers strengthen compliance with such standards and strengthen accountability and citizen empowerment (Shah 2006)

## **7. Implementing the Framework: Potentials and Pitfalls**

This paper has argued that disparate technocratic approaches to public sector reforms in the past were doomed as they failed to empower people to demand access to basic services from their governments. To overcome this, the paper has presented a framework for citizen empowerment that if implemented could serve to create a responsive, responsible, fair and accountable governance in developing countries. But who will and how to bell this cat? The paper has also provided a few simple principles and practical ideas to overcome formidable obstacles to such fundamental reform.

The paper nevertheless recognizes that implementing the above framework is the fundamental challenge of development. Technically such a framework is easy to implement. The practice is another matter. Under current circumstances, it would be nearly impossible to implement such a framework in developing countries due to the confluence of opposing factors. Potential stakeholders blocking such reforms would include some powerful political and bureaucratic elites in developing countries and some development consultants. While opposition by the former is obvious and explicit, opposition by the latter is latent and implicit, arising mainly from consultants and technocrats whose very existence depends upon ad infinitum reinvention of technocratic wheels to stay in business.

Not everything is lost though. Globalization and the information revolution are bringing about citizen empowerment by allowing the sun to shine in on government operations, empowering citizens to hold government to account through the instantaneous expansion of their knowledge and information base. These are powerful influences in moving governments to accept rights based accountability, albeit reluctantly. This gives a flickering hope for moving this fundamental reform agenda forward. The ideas suggested in this paper could provide the motivation for reformers within and beyond government to turn this flicker of hope into flames of reform that engulf all those powerful interests standing in the way of necessary transformation. This is because the paper provides pathways to reforming the corrupt and incompetent regimes by empowering the disempowered citizens who, have the audacity to make real the hope for better governments and fulfilled demands. The conceptual and pragmatic

perspective presented here could possibly assist citizens that would like to see their governments reformed and also government leaders seeking to serve their people better and earning their trust.

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